April, 1935 Price 25 Cent

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By Allan Nevins, Charles A. Beard and Others

THE NEW YORK TIMES COMPANY

CURRENT HISTORY

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The Clash of Continents

By ANDRE SIEGFRIED*

AFTER a long period of predominance, which at times seemed permanent, the Old World now finds that its leadership is contested. This means that not only the destiny of Europe but also her entire form of civilization is in jeopardy. We seem to be watching the birth of a new era in the history of humanity, an era which, like the Iron Age or the Bronze Age, will some time in the future be given its appropriate label, though we ourselves cannot as yet define it. Our new industrial methods can be described only as revolutionary, for their ferment far transcends the limits of mere production. The kernel of this revolution is the replacement of the tool by the machine. The way in which different races and different continents are reacting to these new conditions is the fundamental problem of our epoch, and a complete upheaval in the geographic distribution of world leadership may result.

For many years it has been a question whether the policy of industrialization in the colonies and in overseas countries in general should not be opposed. Europe, without a doubt, instinctively wishes to offer such opposition in a very human desire to consolidate her privileged position, and when she gives way it is definitely against the grain.

England, for example, although she takes a liberal attitude toward her Dominions as a matter of political wisdom, has certainly regretted seeing them build factories of their own. All the plans of the imperialists for the past sixty years have been based on the assumption that the mother country should have the right to provide for the colonial markets. Manchester still resents the competition in India of Indian-made textiles, just as French industrialists would if Algeria were to start setting up fac-

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tories and workshops of her own.

But discussion is idle, for this movement cannot be stopped. All the colonies, one after another, would be up in arms if the mother country refused to admit that they have the right to develop in their own way. To restrain them is becoming more and more difficult, and eventually will be impossible in certain cases.

Let us not be deceived by appearances, however, for the movement is slow, taking not years but generations to accomplish. This makes it possible to establish a new equilibrium, or a semi-equilibrium, between the privileges of the Old World and the claims of the New by an adaptation that is both spontaneous and progressive. The new countries, having exported only primary products in the past, are now supplying semi-finished goods and beginning to manufacture finished goods for their own current needs. The old countries, feeling this competition in ordinary goods, are tending to specialize in the finer qualities. As the colonies and overseas countries and reawakening dormant countries begin to raise themselves in the industrial scale, Europe is obliged to keep one step ahead. Thus there is always a certain distance between them, and their relationships remain virtually unchanged. As conditions are constantly altering and causing a continuous adaptation of the structure, Europe is really seeking not a static but a dynamic equilibrium.

The effect of these changes has long been apparent in the balances of trade and accounts of the most highly developed European countries, as is seen in the increasingly important part played by "invisible exports" in regulating international debits and credits. The British balance of trade has never been favorable within living memory, and in future its increasing deficit will be considered normal. Britain's imports of foodstuffs and raw materials are still mainly paid for by exports of manufactured goods. Apart from this, however, the revenue from capital invested abroad, from the tourist trade, and above all from "services" of every kind, constitute an item in the exchange balance that increases in keeping with the industrial progress of the new countries. This simply means that a highly developed country has to bring more and more technique, science and originality into its exports to the younger communities. Quite apart from the actual goods exported, it must also be ready to furnish its efficiency, its organization and, in short, its own personality. Its foreign trade thus becomes more refined and more intelligent. This is its instinctive reply to the world transformations that are robbing it of certain of its functions. Moreover, its vulnerability diminishes by very reason of its progress.

The problem the Old Continent has now to face is how far it can adapt itself to present conditions of international trade. The drift of Europe in the nineteenth century now turns out to have been perilous. To use an expression from Nietzsche, she truly decided to "live dangerously." In consequence she is today burdened with an excessive industrial superstructure, too dense a population and a social standard that is becoming increasingly difficult to maintain. Two alternatives are possible. Either she must await the return of general prosperity to set her afloat again together with the rest of the world or accept the necessity of revising her entire position. Such revision, taking the pessimistic view, would involve sacrificing part of her equipment, giving up her high standard of living, and perhaps also reducing the number of

her population. A more optimistic thesis, however, suggests that her industrial structure can be adapted and reorganized so that the present level may be maintained.

Industrial competition is very different today from what it was before 1914, for the war, the post-war years and the crisis itself have brought radical changes. The chaos that has now become general has caught Europe between two fires, between America and Asia, between the high-wage level of the one and the low-wage level of the other. No matter which way Europe turns, her flank is exposed.

The pressure of low wages in the East and the Far East has introduced a new factor into the situation. The full effects of the general world industrialization are only now, since the war, making themselves felt. The West has brought this on itself, for without the extraordinary progress in its technique, this Asiatic competition could never have taken place. It is the direct result of mass production, which is the outstanding feature of our era.

During the past generation the factory changed in character more rapidly than we knew, for it was obliged to adapt itself to another transformation peculiar to our time, the decline of the working class. For this reason, not only during the war but afterward as well, every effort in both Europe and America has been directed toward substituting the machine for the workman, who had become expensive, scarce, clamorous and unmanageable.

The factory has thus been transformed into a mechanism that is standardized, automatic and interchangeable. The whole plant can be shipped in numbered parts to the other side of the world, where a handful of specialists traveling along with it can put it together and start it going. The machinery is so well arranged that its output is almost constant, no matter what sort of employes are used. Owing to the lack of qualified workmen, its inventors have planned it so that it requires no initiative on the part of the operatives, and a minimum of skill. Ford declares — and not ironically either, which makes it all the worse—that he requires no more skill from his workmen than they need to hang up their hats on a peg. Surely there is no one in the world—whether yellow, black or brown—who cannot do that much! A few engineers from the West are needed in the beginning to get things going, but even they can soon be dispensed with.

The countries of the colored races are clearly in an advantageous position. Machinery, invented and constructed in the West, where civilization and the standard of living are high, is transported to the East, where civilization and the standard of living are low. In the East wages are always at a minimum—five, ten, even fifteen times lower than in Europe or America. Even this is not the chief argument against such competition. The main advantage lies in the fact that, being new, industry in the East is not fettered by embarrassing legislation. The colored employer makes his personnel work long hours both night and day, and organizes his shifts to keep his output going continuously. He is free to use children, young girls and women. Organization, which is the decisive factor in modern industry, works entirely in his favor, since social considerations are not allowed to conflict with the exclusive interests of production. Consideration for the rights of the human element has, to all intents and purposes, been eliminated.

Meanwhile, the industrialist in Man-

chester has become the victim of a long evolution of social progress. He is floundering about hopelessly in a network of regulations, collective contracts, labor laws and humanitarian principles, all of which his conscience approves and which in fact are among the main bulwarks of Western civilization. When low wages are coupled, as in the case of Japan, with a technique that is often more advanced than in the West, competition is no longer possible.

Once the value of the individual is threatened, how can the European, who is staggering beneath the weight of his standard of living like an army with too heavy baggage, fight against those countless masses? Actually we are witnessing what has been described as "a gigantic arbitrage between two labor markets." In the textile world, for example, Japan, India and China are robbing Manchester of an entire part of its former territory. Japan, indeed, is now so highly mechanized that she has reached the stage where she can manufacture her own machinery; meanwhile, her wages, compared with those in England, are still at the Asiatic level.

On her western front, on the contrary, Europe is obliged to defend herself against countries with higher wages and a standard of living more pretentious than her own. The United States on the morrow of the war represented this competition. Although it has temporarily died down, Europe will have to face it again, for its causes are deep-seated. The conditions that give the Americans the victory are easy enough to analyze: they win the day when the high-wage level can be compensated for by the quantity of their mass production. This is due to their superior organization and their intelligently directed mechanism. High wages and mass production occur together only when there is available an enormous home market with sufficiently high purchasing power. Abundance of raw materials on the spot, 125,000,000 consumers forming a free trade unit surrounded by a single customs barrier — here are natural and political conditions that the Old Continent cannot hope to equal. When these conditions are fulfilled, America can compete irresistibly, but when they are not she is easily outdistanced in the international markets. The supremacy of the United States thus appears to be limited to productions that are carried out under the double sign of the machine and the mass. Otherwise she is crushed beneath her own wages, just as Europe is crushed in comparison with Asia.

In this way the trade between the two sides of the Atlantic operates as naturally as two liquids of different densities that have been superimposed in a flask. Europe, being still the Old Country so far as the New World is concerned, buys from the United States the raw materials and semi-finished goods she needs to feed her population and supply her factories. She also buys mass-produced articles, selecting as a rule the tools and machinery that are such a perfect expression of the American temperament.

The United States, on the other hand, being still economically young in spite of her gigantic development, imports from Europe foodstuffs and manufactures of high quality, especially goods made to order. She also imports—and would import much more if her tariff would permit it—the whole series of articles in which, being only partly machine made, the personal touch still counts. Here America's advantage diminishes and even disappears.

These three stages of industry, corresponding to the three continents and

their three stages of civilization, suggest an interesting discussion. The Americans boasted rather insolently during their prosperity that they feared one type of competition only, that of countries with a high-wage level. This recalls Sir Charles Dilke's book *Greater Britain,* written after his world tour in 1867 and 1869. "The lesson of my trip around the world," he wrote, "is the defeat of the cheap people by the dear people, the victory of the man whose food costs four shillings a day over the man whose food costs fourpence."

Must we agree with Dilke that it is always the higher standard that wins? This is much too simple. We cannot admit this any more than that the competition of starvation wages is bound to be irresistible. What is much more likely is that several stages of industrial production exist, each with its own law and its own chances of success. In some cases it is the poor who survive, and in others it is the rich. Perhaps also there is a domain where it is possible for the traditional civilization to survive. The law of production is not, and cannot be, the same for a cheap cotton textile, a mass-produced piece of agricultural machinery, and a costly silken fabric. How is Europe going to be situated in the midst of this international rivalry, with her very destiny at stake?

Without a shadow of doubt, under present conditions of world competition, Europe is beaten in certain fields. She is defeated in the East and the Far East by automatic machinery coupled with starvation wages. Add to this advanced technique in the case of the Japanese, and the offensive becomes irresistible. Japan has made use of tools that Europe, never giving a thought to the ultimate consequences of what she was doing, has been so eager to sell. Being armed with this new weapon, Asia, thanks to her very misery, since she employs a veritable army of workers at infinitely low remuneration, without any provision against overtime, now outbids Europe.

"Asia can underlive Europe." In this terrible sentence Lafcadio Hearn expresses the tragedy of this merciless rivalry, in which the poorest comes out best. This is only too true at certain stages of production, for, like Gresham's law that bad money drives out good, in the competition between the two races it is not the more advanced that triumphs, but the more wretched that survives. Economically—one might almost say biologically—the more skilled is not necessarily the better, for in certain branches of manufacturing the social burden of civilization becomes too heavy to bear. In this respect it is an undeniable advantage to travel light with few requirements.

"Unfair competition," protests the workman with a high standard of living. In his case we must include in the cost of production his comfort, health and amusements, of which no one would wish to deprive him. But international commerce does not take such matters into account. It pitilessly recognizes only the force of might and possession, and that the weakest goes to the wall. During the past ten years the textile industry of Western Europe has learned this lesson only too well from the devastated areas in her export trade with India and China. Like a gigantic landslide, where the soil is giving way under one's feet, it threatens to deprive Europe of the markets of an entire continent. Ought Europe then to engage in battle in a field where her choice of arms cannot be effective, and where there is always the possibility of hav-

ing to rival the misery of her adversary? The countries that have depreciated the value of their currency have set out hypocritically along this road.

In America, at the other extremity of this immense field of battle, Europe is beaten for reasons that are exactly the opposite. The super-equipment, which in certain industries gives an enormous output per man and so permits a very high wage, is really just as much Europe's as America's. It is European invention that created it, European genius that made it possible. White race on both sides of the Atlantic. There is nothing which America has accomplished that Europe could not also have done had the problem been simply one of organization, technique and ingenuity. What is new in America, but also beyond Europe's grasp, is the size and simplicity of the theatre of operations. Within a framework of such vast geographic proportions, organization can produce results that are denied to Europe. The population of Europe is more numerous than that of the United States, and her natural resources are by no means negligible by comparison, but the Old Continent is so divided up politically, so imbued with hatreds inherited from the past, that the dreams of turning it into a single unbroken market will long remain utopian. If Europe had the same start, she could imitate successfully the scientific way in which the Americans have organized production, but geographically she is deprived of the factor of mass consumption, and by her age of economic youth.

However, Europe does not always suffer defeat on this double front. She is not always on the defensive, for the causes of her former prosperity have by no means disappeared. On the East as well as on the West, Europe still has evident advantages, but in her post-war humiliation she lost sight of them.

Europe's technique is still superior to Asia's, including even Japan's. The Far East possesses an increasing number of excellent engineers and expert organizers, but difficult industries can prosper only where mechanical civilization is deeply rooted. The Asiatics, or indeed any of Europe's other imitators, are rather naïvely ready to consider themselves her equal as soon as they are in possession of her tools and have learned how to use them. This is not true. Real superiority lies not in running a machine, but in creating it. What would happen if Europe were to stop supplying the Orient with her genius? Let us suppose that for some reason she were unable to get into touch with Asia for a long period. Asia would certainly maintain her equipment, but would she be able to renew it? The tool and the hand that guides it count for little; it is the spirit which has created it that is significant. So long as Europe is still capable of invention, who can rob her of her superiority? The whole question resolves itself into how many difficult industries there are today, and how many there will be in the future.

With regard to America, Europe has learned from the crisis where she was exaggerating her strength. Even during the period of America's amazing prosperity some Europeans discerned the limits of her system, for they saw that the conditions of her success were clearly determined. Europe still has the advantage of greater individuality, and at the same time greater frugality. No one will deny that as an inventor of machinery the American is ingenious, but the European really is a more gifted creator. The shade of meaning mav seem sub-

tle, but there is a difference. The inventive genius of the New World lies above all in discovering tools and machinery, and especially machine-tools, that will eliminate the human element.

When it is a question of creating, however, of making something out of nothing as artists do, Europe has a freshness that she will never lose. She will benefit by her very difficulties, as she will be obliged to work within a narrower margin and to keep her wits as sharp as a razor. The Americans, as Europeans know, are interested in solving only simple problems. They mine only the easiest minerals; they avoid industries that require too close application, too great patience and too careful calculation. Europeans are inclined to consider the Americans, when they are not overwhelmed in a crisis, as privileged persons. Nevertheless, the Europeans' more modest scale of living allows them to undertake certain enterprises which the Americans do not even attempt. As a result, when Europe competes with America, she carries the day, just as Asia does when she competes with Europe. But there is this difference: the quality, individuality and difficulty of the work of the Europeans become the decisive argument in their favor.

The present hostile attitude of the world, not only toward Europe but toward the entire white race, should be taken to heart. In so far as it was materialistic, the conquest of the globe by the white race is being turned against them. The phase of white domination is definitely over, at any rate for Europe. The white man's former tributaries, whether voluntary or involuntary, now refuse to serve him any longer. Meanwhile, he has lost faith in his own omnipotence, and is sometimes even losing his pride, which if it did not make him loved at least made him feared. No doubt Europe will be able to maintain her supremacy for a long time yet in Africa and even in Western Asia, but in the Far East the days of her leadership are numbered. Europe must now alter her method of influencing the world.

Europe has been pessimistic enough, almost too much so; the crisis has taught her that certain non-European giants are not without their weaknesses also. Europe still retains two vital factors—her genius for creative invention and her appreciation of spirituality, both of which are bound up with her traditional culture. Europe is thus forced to rely upon her own superiority, the unique stronghold into which the overseas countries can penetrate only with difficulty—quality, "services," international finance; this is where Europe undoubtedly excels. Although on this course America is close at Europe's heels, she has not yet caught up, because success takes the time element into consideration.

The main difficulty is that such a basis is too narrow to support a whole continent, especially on the high level which Europe has reached. Just as deep water is required to float a large ship, so the economic activity of Europe, being based upon international trade, cannot carry on with a small volume of transactions. She would pine away from lack of nourishment. If the complementary trade between the continents changes, even partially, into complementary trade within the boundaries of one continent, or one country, will that not mean stagnation for transportation, for the great *entrepôt* markets, and for the Stock Exchanges? The Old Continent would be the first to suffer. In the same way if foreign markets do continue to accept Europe's high qualities, but shut

out her ordinary goods, will she not be obliged to contract not only her equipment, but her population, and also her standard of living?

Democracy is everywhere digging itself in just when the possibilities of a decline are looming up. It is determined to consolidate what it has acquired so far, even if its old basis disappears. From now on in many of the Western European countries the standard of living of the people is depending more and more upon the generosity of the State, and less on any real economic foundation. Already public budgets are overburdened, as more is being distributed than is being produced. The level of wages and social services is in many cases fixed for political reasons, and is not based on the state of the labor market. No government dares touch the standard of living, which the political parties have made sacred. So the necessary money is first obtained by despoiling the wealthy classes, and then, following the line of least resistance, by inflation.

Among the many solutions that present themselves, two appear to be possible. One is to turn certain European countries into closed economic units, as was the case during the war when the Central Empires contrived to live upon their own resources, without either imports or exports. Germany is trying to do the same thing again today. She is attempting to support a too numerous population on a territory that was always considered insufficient in the past. By stamping on the ground she is trying not merely to conjure up armies, but also wealth, especially wealth that depends less on nature than on chemical genius and the rationalization of mankind. Life in Germany is virtually on a wartime basis, which has meant the loss of liberty, a reduced standard of living, a strong police, concentration camps—everything served up with a sauce of mysticism to make the pill easier to swallow.

On the other hand, in England and France, owing to the standardization of life with its mass-produced houses, clothing, transportation, and even amusements, the common people are enjoying an increasing amount of cheap semi-luxury which seems to satisfy them. Such Americanization of European customs is an eventual solution, for without apparently lowering her standards, Europe can thus reduce the cost. In the process, however, she would lose her very soul.

One wonders if such a course is absolutely necessary, but life first! I feel that it is with undisguised sadness that the European élite would view such a trend. With its halo of romance and the creative power underlying it, the German solution kindles the imagination. But the Babbitt idealism of the American method terrifies Europeans by its monotony. In any case it is not even the best that America has to offer. Europe without her individuality would be only one continent among many; she would cease to be the yeast which leavens the rest of the world. If she adopts the American solution she will lose in the economic field her superior technique, which is one of the chief reasons for her to survive more or less in her present state.

We must not allow Europe's creative genius to perish. It is born of the spirit—of the liberty of the spirit—and of disinterested culture. If Europe conforms to the present trend and sells her soul to mass production, she will undermine the foundations of the civilization on which she lives. She must not let herself be flattened out by either the American masses or the Asiatic masses.

What Is Public Business?

By STUART CHASE*

FROM 1912 to 1930, in the United States, government activity per capita more than doubled. Under the New Deal the State has invaded economic activity over a vast front, rendering the earlier advances trivial in comparison. Some $16,000,000,000 has poured out of the public treasury, the bulk of it to do things which private business normally does—such as to lend money to railroads, banks, farmers, home owners; such as providing jobs for millions of citizens. The government, especially the Federal Government, did not undertake this business in order to prove theories, but was driven to accept it, as private enterprise shrank under duress of the depression. The one consistent theory in the premises was to halt further deflation, to keep Americans from wholesale starvation and somehow to stimulate purchasing power.

In my preceding article the analysis of the activities of the New Deal was intentionally objective. It was an attempt to describe what was done, and sometimes why it was done, and not to pass judgment on the wisdom or folly of the respective measures. A large assortment of public business was presented to the reader. It now becomes our task to study the theory of public business and to find out what activities really belong in the public sector. Where is the long-term line between public business and private? If nothing so fine as a line can be discovered, what economic activities are demonstrably public, what are private, and what are left in the zone between?

These questions, as J. M. Keynes has emphasized, are of paramount importance. Here are governments the world around, staggering and swaying under vast new functions thrust upon their shoulders by private enterprise in full retreat. Perhaps the load is over great; perhaps private enterprise should be coaxed back to resume part of the burden. Which part? One difficulty in this program is that nothing coaxes private enterprise except the hope of profits, and profits in world-wide depressions do not grow on every bush.

The gravity of the problem demands the utmost objectivity in approach. A planetary visitor, fresh from Jupiter, unhampered by conditioned emotions, opinions, dogmas, traditions, would be more than welcome. He would hold no brief for the State or for the business man, for socialism or capitalism, for regimentation or rugged individualism. These fighting words would mean nothing to him, touch off no emotional vapors to obstruct clear thinking; only the facts would register.

Unfortunately, no mere earthling can be quite so dispassionate. One of the strangest freaks of history is the

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*In an article entitled "Government in Business," published in CURRENT HISTORY for March, Mr. Chase surveyed the growth of public business in recent years and particularly under the New Deal. In the present article he discusses the significance of this development. Because of the controversial nature of the subject, Mr. Chase's articles will be followed by the presentation of a different point of view.

American religion of business first; religion is the only word adequate to describe it. Its roots lie deep in the pioneering tradition, in the ruthless conquest of a continent. They do not lie in human nature. Down the long record of civilizations, the State has usually led and private enterprise has usually followed. The community has been primarily responsible for economic decisions, and the leadership has been accepted as just, reasonable and to be expected. Only with the rise of capitalism has the community as corporate been heaped with calumny and suspicion.

"I go upon the facts," said the Rev. John McVickar at Columbia University in the Eighteen Thirties, "and finding from them all that tends to exalt, refine and give comfort to man growing up under the patronage of commerce, I cannot but reverence the claims of commerce as something *holy*." This is a straight transference of the doctrine of the Divine Right of Kings to the Divine Right of Business.

In the face of this century-old tradition of belligerent opposition to the State, the dispassionate drawing of zones between public business and private is beset with difficulties; it is bound to arouse stormy emotions in bosoms to the right and to the left.

What is an economic system for? We cannot intelligently discuss means without defining ends. What do we want out of private business or State business or cooperative business or any other form of industrial activity? Do we want the creation of a few millionaires and a host of paupers? Do we want a community armed for battle? Do we want the simple, pastoral life? One must choose. The end I should choose is this: (1) An economic system should provide an adequate supply of material wants for the whole community; (2) it should provide, on this material base, an opportunity for civilization to develop.

A way to eat; a way to pursue science, literature, music, the arts of living. Let us assume that the purpose of economic activity is not to achieve a society of millionaires and paupers such as unabashed capitalism has tended hitherto to produce, nor to achieve a society of warriors such as ancient Sparta or modern Germany, nor a bucolic utopia such as in Samuel Butler's *Erewhon*, where the machine was banned. Let us assume as its end economic security, jobs for all, a full use of inanimate energy and modern invention, steadily expanding standards of living, the fostering of the arts and sciences.

One can quarrel with these aims, but they are not out of line with those formulated by other students and philosophers who have paused to consider the economic objective. In the past three years I have received upward of one thousand "plans" to save the world. In nine out of ten of them the prologue formulates identical aims. President Roosevelt has called for a more abundant life, for work rather than the dole, for economic security, for the full use of productive facilities, for the subordination of the rule of the money changers to the rule of public welfare. As we noted in my preceding article, these aims are taking tangible shape in many of the New Deal's activities.

What goods and services enter into a budget of material well being? If we can list them, attention is automatically forced upon those activities which must have right of way, which cannot be curtailed, wasted or sabotaged without grave social loss. It follows that they are prima facie public business. It may or may not follow that the community should own or op-

erate them, but at least the community must see to it that the supply comes through.

but often in reality there are four or five steps between natural deposit and finished article for consumption. First

TABLE I—UNIVERSAL WANTS FOR MINIMUM HEALTH AND DECENCY

Item.	*Industries Concerned (Partial List Only)*
Water	Water supply, flood control, afforestation.
Food, balanced diet	Wheat, corn, cattle, fisheries, meat packing, canning, creameries, processing, imports of coffee, etc.
Shelter; sound, sanitary housing and furnishings	Construction industries, furniture, textiles, plumbing supplies, ceramics, electrical appliances, hardware, glass, paint, etc.
Clothing, for protection and decent appearance.	Production of cotton, wool, silk, rayon, linen, leather, rubber, boots and shoes, garment making, hats, etc.
Education, through high school; adult education	Public schools, textbooks, stationery, furniture, libraries, museums.
Health, adequate protection	Sanitation, hospitals, doctors, opticians, nurses, drugs.
Recreation	Parks, playgrounds, theatres, motion-picture photography, musical instruments, lodges and clubs, simple sports—playing and watching.
Transportation, to work, to procure supplies	Passenger service, railroads, trolleys, buses, motor cars, ferries, boats.
Communication	Mails, telephone, telegraph, radio, newspapers, magazines.
Personal services, and supplies	Barber shops, tobacco, gifts, laundries, watches, toilet articles, funerals, etc.

TABLE II—ELASTIC WANTS. LUXURIES AND PREFERENCES ABOVE MINIMUM BASE

Fancy foods and drinks	Imported and exotic delicacies, confectionery, vintages.
Fancy housing	Domestic service; luxury furnishings such as handmade goods, period furniture, objets d'art; interior decorating, landscape gardening.
Fancy and fashion clothing	Custom-made garments, extreme fashions, rare fabrics, furs, lace.
Higher education	Universities, foreign travel, private libraries, symphony concerts, private schools.
Fancy recreation	Florida, the Riviera, motor boats, yachts, sporting outfits, cruises, resorts, gambling, hunting, horse racing, hobbies and collections.
Personal service	Jewelry, cosmetics, beauty shops, valets, clubs, etc.

TABLE III—UNDERLYING INDUSTRIES AND SERVICES (PARTIAL LIST)

Agriculture, fisheries.
Forestry, lumber.
Energy complex—coal, oil, natural gas, water power, electricity.
Metallic complex—ores, steel-making, manganese, nickel, tin, chromite, tungsten, copper, lead, zinc, mercury, etc.
Chemical complex—chemical industries, nitrates, sulphur, potash, phosphates, rubber, etc.
Cement.
Clay, brick manufacturing, stone, sand and gravel.
Construction industries—capital goods.
Machine-making—capital goods, presses, lathes, etc.
Paper and printing.
Freight transport—railways, highways, waterways, pipe lines.
Distribution agencies—retail, wholesale, warehousing, refrigerator service, etc.
Import and export traffic.
Banking, brokerage and insurance.
Professional services—engineering, architecture, law, accounting, etc.
Government service—army, navy, courts, civil service, etc.

These lists, incomplete and oversimplified as they are, have a sobering effect upon those who would allocate zones. Table III serves Tables I and II, the steer, then the hide, then the leather, then the shoe. The intricacy, specialization and cross-reference of the modern service of supply is colos-

sal. Commodities and services weave in and out, through, over and under one another. Small wonder that the business man, seeing this intricacy as his vocation, wants to throw the State out of it all, while the radical wishes to throw private enterprise all out. Both assume it to be difficult or impossible to divide the field; all-or-nothing solutions are easier on the mind. We may rest assured, however, that history will continue to divide the field in the future as she has done in the past, paying little attention to the alarms from either camp. When we come to study the lists with care, we see the rough patterns of the divisions history has already made.

Table I shows clearly that the State is deeply involved in the flow of consumers' goods for the mass. Water supply, education, public health service, recreation, transport, communication are recognized public functions, subject to major regulation, control and often outright ownership. Many of these services are now free in the sense that citizens do not pay for specific use of them, although payment is made indirectly through taxes.

The three great items of food, shelter and clothing have heretofore been in the private zone. The AAA, as we noted in the preceding article, is in the midst of collectivizing the food supply. Agriculture is rapidly becoming public business, not only in the United States but in the Soviet Union, Germany, Great Britain, Italy, Denmark, Australia and Canada. The New Deal is clearly headed for a huge housing program, thus to transfer parts of another large segment from private to public business. We find that housing for the lower income groups is State business in Sweden, Great Britain, Austria, Germany and other countries. Private capital cannot afford the low interest rates involved.

The provision of clothing continues as primarily private enterprise. Modifications, however, are to be noted in the AAA cotton control, the NRA textile, garment making, boot and shoe codes, and the FERA experiments in garment manufacturing by the unemployed for their own use.

Education is chiefly public business; health and recreation increasingly so. Transportation and communication are under public regulation, and hover on the brink of thorough-going control. These industries have long been regarded as "affected with a public interest." It is difficult to see why they are more affected with a public interest than most of the other items on Table I. Food, shelter and clothing are even more primary wants. The Supreme Court has all but given up the attempt to draw the line. Said Mr. Justice Holmes: "The truth seems to me to be that the Legislature may forbid or restrict any business where it has sufficient force of public opinion behind it."

Fortunately, we already know for the United States what the universal wants foot up to both in physical quantities and in money. The National Survey of Potential Product Capacity, after a nine months' survey by sixty engineers and technicians, has struck the totals. In 1929 an ample budget of health and decency for the 30,000,000 families in the country would have cost, in current dollars, something over $130,000,000,000, or about $4,000 per family. The physical plant was in a position to produce the bulk of the required goods. (Adequate housing would take a few years to construct.) The Survey found that an output of consumers' goods much above that figure could not be used. Plain food, sound shelter, education through high school and the rest (in-

cluding a motor car), worth altogether between $4,000 and $5,000, are about all that any average-sized family can consume. Much more is waste and surfeit. Additional goods and services are often eagerly desired and can readily be consumed, but they fall in the province of Table II, the luxury budget. Here they tend to leave the domain of quantity production, and enter that of handicraft, custom building and the various satisfactions of personal taste.

The State, under our definition, has no interest in scarce goods for ultimate consumption, where personal taste reigns supreme. Here individualism in its best sense should have full scope. Once universal requirements are assured, the community should cease to meddle. The elastic wants of Table II appear to be pre-eminently fitted for private enterprise. Beyond the services listed, one would be inclined to place in the private sector the initial stages in the development of new industries and new commodities. Here the genius of the individual should operate with a minimum of restriction.

Collectivism is now comparatively weak in the elastic wants sector. Some of the industries are under NRA codes; the food and drug legislation has its eye on cosmetics (and why not?); many universities are State owned and operated. Prohibition was planted here once, but it has gone. Certain books, magazines, art goods are subject to censorship. Happy the day when this, too, shall have gone. The division of elastic wants is a fair field for private enterprise. Unfortunately, many of its industries, such as textiles, house construction, garment making, food processing, are identified with those supplying inelastic wants. The same factory often makes both common and luxury goods. Only part of the factory is thus affected with a public interest. But collective control of part of a factory makes no sense. We will not try to resolve the problem at this point; only register the fact. Certainly a great many factories, a great many activities, are cleanly in Table I or cleanly in Table II.

In Table III we find a list of basic industries and services underlying both inelastic and elastic wants. These are primarily the heavy industries, the capital goods sector, plus financial and professional services. It follows that if Table I is public business, Table III is largely public business, for the budget will not be met unless the underlying industries are in order. We shall not have houses in the present style if the forests disappear, or mass produced boots if machine making is in the dumps, or much of anything if energy or transport cease to flow. So long as we use money, banks cannot be permitted to close their doors. So long as we ride in automobiles the imports of rubber must come through on schedule, or substitutes be developed as the German Government is now trying to develop them. Retailing and wholesaling are essential to the budget as a mechanism of distribution, but the public interest therein is less than in the production of the materials distributed.

The bulk of Table III is unquestionably public business. In one sense, already widely recognized, it is peculiarly public business where natural resources are involved. The State is already heavily involved. Major regulation, control or ownership are to be found in the fields of power generation, freight transportation, oil exploitation, pipe lines, forestry, soil erosion prevention, even in banking, brokerage and insurance. Steadily the State moves, both here and abroad,

toward monopolistic control of exports and imports. Without it, where is economic nationalism? In the event of war, the completest blueprints are now on file for the nationalization of substantially this whole section, especially raw materials.

With the above lists in mind, let us now consider public business from a somewhat different angle, that of functions rather than of commodities. The depression has taught us one supreme function of public business, namely, to keep the whole mechanism turning. Under power age conditions, stoppage is fatal. This applies to banks as well as to factories. "Natural forces," classical "economic laws," have been summarily discarded. The old automaticity of laissez-faire has gone forever. The importance of this abrupt shift from self-regulation to State regulation cannot be overemphasized. It marks a change as far-reaching as that from feudalism to capitalism. Many still hope to retain automaticity and the free market, but one fears it is a wistful dream. Great mass production units and laissez-faire are incompatible.

Apart from overhead control in emergencies, there appear to be four main functions of public business under modern conditions. It is demanded in these cases: (1) Where private business is not interested in performing the function; (2) where private business has ceased to make profits and is withdrawing from the function; (3) where private business is performing at a profit to itself, but is bungling the job in terms of the waste of natural resources; (4) where private business is maintaining harmful monopolies, dedicated to the maintenance of an artificial scarcity and abnormally high prices. Let us consider these functions in order.

1. "We must aim," says J. M. Keynes, "at separating those services which are technically social from those which are technically individual. The most important *Agenda* of the State relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the State does not make them."

It has long been the function of the State to do what private business will not or cannot do. The maintenance of the army and navy is a case in point. Modern States before the depression were doing many things which private business formerly did—education, water supply, highways, even prison maintenance. Private enterprise is not greatly tempted by parks, playgrounds, sanitation, public health service, coast guarding, channel clearing, fire departments, and scores of other essential activities.

What else ought to be done that nobody is doing? An answer to this question is important at the present moment. Congress is about to give the President $5,000,000,000 to spend on public works. Some of it might go to fill such blanks with great advantage for all concerned. Here is a list of things that nobody is doing—at least, on an adequate scale: Pest control, research in pure science, research for protection of the consumer, education for civil and public service, adequate statistics on unemployment, living standards, etc., prevention of stream, harbor and beach pollution, and social insurance (increasingly necessary under highly specialized economic conditions).

The major vacuum which the State is now filling is unemployment. Private business finds no place for between 8,000,000 and 10,000,000 workers. The United States has elected to

secure jobs for many of them in public works. It is extremely probable that whatever the ups and downs of the business cycle, this gap is destined to remain impressive in the future. Machines and agro-biology produce unemployment as well as business cycles.

2. Private business has been known as the profit system, but the profit-and-loss system would be a more accurate title. After a sufficient period of losses, the life blood of private business dries up. But the community may badly need the service. So the State must step in, either to underwrite the loss or to take over the enterprise. We have already noted how the State has stepped into agriculture, a business which has been losing money since 1921. Similarly it has entered banks, railroads, life insurance, real estate, merchant marine and air transport. It must presently step into the bituminous coal mines, which have been failing to make profits as an industry for years. All the above are essential services which cannot be permitted to cease operation.

Once in, the question arises of how long the State can afford to subsidize losses. Perhaps the air-transport industry, a husky infant, can be spoon-fed through mail contracts, until ultimately it stands on its own feet and pays its own way. But agriculture, railroads and coal are old industries, enfeebled by the buffets of a changing technology. If the community must support them indefinitely, they obviously must be reorganized, their costs and duplications reduced. This means far more than financial handouts; it means strict State control, if not outright ownership; service at cost to become the ruling principle. Opposition may be considerable in theory, but it is likely to be slight in practice. Private business, whatever its moral scruples, is not really interested in unprofitable enterprises.

When the New Deal underwrote the banks, they were in desperate condition with their assets tightly frozen. Some thawing has since taken place, but from the large and general point of view, the drop of $200,000,000,000 in values placed on the national wealth during the depression has fallen largely on the portfolios of the banking institutions, and no amount of superficial liquidity can ultimately hide the fact. This means that the government must keep its credit under the banks indefinitely. It might be cheaper and less troublesome to take them over, particularly if the finance of the future is to concern itself more with consumption than with production. Private bankers do not know how to finance consumption and are afraid to try. Somebody will have to try and that soon.

3. We have noted how essential raw materials become prime public business in war. There is a not inconsiderable body of opinion that believes that the same principle holds true for peace. Even such a conservative as Mark Sullivan writes that coal, oil and natural gas "are, in the legal phrase, affected with a public interest. These natural resource industries should be set apart in law, as nature has set them apart in fact. They should be given a status and treated in a manner analogous to the status we have already given public utilities." To the three industries named by Mr. Sullivan we might add copper, lead, zinc, tin, iron ore (of certain grades), phosphates, helium, as irreplaceable assets whose conservation is a profound public trust. The lumber supply and the water power linked with it are not technically wasting assets, but a century of private exploitation has

brought about a situation where, in the Nineteen Twenties, we were cutting our forests four times faster than they were growing. At this rate in a generation our land would be bare as the hills of Greece. Afforestation belongs in the public zone and 350,000 young men in the Civilian Conservation Corps attest it.

4. The function of the State in attending to nobody's business, in salvaging profitless enterprises, in conserving natural resources, is demonstrable to all sensible men. Even if it were not demonstrable in theory, one need only look at the facts, and find governments the world around ever more deeply involved in these divisions. When we come to private monopolies, whether overt or covert, the demonstration is not so obvious. Shall we nationalize aluminum manufacturing, steel manufacturing, oil refining, meat packing, agricultural implement making, motor car manufacturing, shipbuilding? Roars and storms of protest rise, not only from the several monopolies, but from the whole middle class and from many of the workers. We shall certainly not nationalize all of them tomorrow.

In so far as the monopoly, or the Big Business unit, contributes an essential commodity to the budget of universal wants, the community has a vital interest in it. If it caters to the luxury budget, the interest wanes. The community may desire nothing less than to undertake the supervision of Big Business, but the community today is in a very precarious situation in respect to its service of supply. Fifty years ago business units were generally small, competition keen, prices held down, technical advances frequently passed on to the consumer. The waste, of course, was colossal, and the industrial death-rate high. Big Business has now substituted "administrative competition" for the older variety, which means that when prices tend to fall, production is summarily curtailed. Gardiner C. Means, in a recent study for Secretary Wallace, shows what happened to certain industries in the depression.

	Per Cent Drop in Production	Per Cent Drop in Prices
Agricultural implements....	80	6
Motor cars	80	16
Cement	65	18
Iron and steel products.....	83	20

Under small-unit competition, the drop in prices would have been far greater. By way of contrast, when the farmer's prices fall he tends to increase production, hoping for more cash income. The farmer, until the AAA took him in charge, operated in the free market. When his prices fell to a half or a third of the pre-depression level, his output did not decrease. Big business "competition" and small-unit competition thus behave in opposite ways.

Monopolies and big business, furthermore, are in a position drastically to reduce the wastes and duplications which always attend free competition. Big organization in many fields—though by no means in all—is a technological imperative. The railroads should obviously be one system. Yet if the community surrenders to uncontrolled private monopolies, what it stands to gain through waste elimination may be lost through restriction of output and exorbitant prices.

So there we are. Free competition in many commodities has gone for the calculable future if it has not departed forever. Despite its price protection, it was an enormously wasteful method. Monopoly is here; the power age sanctions it; much waste is eliminated, but in private hands its objective is all the traffic will bear, through the judicious creation of artificial

scarcity. There is no escape from this dilemma except to control the price controllers.

This brings us back to the NRA and its de facto abrogation of the anti-trust laws. It looks as though the United States were in for big business cartels, or permitted monopolies, such as have long been known in Europe. Here also they have been long known, but sub rosa. Now they come boldly into the open—steel, aluminum, copper, oil refining, cement, motor cars, harvesting machinery and the others that have reached working agreements for the businesslike control of production.

Once they are in the open, sanctioned by the State, then what? The several cartels, as the most powerful bloc on the horizon, may bolt with the whole economic system, or they may bow to a superior force in the government, which exacts a price for the privilege of unabashed monopoly. That price may well be social control, running to such forms as excess profits taxes, complete publicity of accounts, prohibition against shut-downs for the maintenance of prices, quality standards for the consumer, veto power on new investment, the prompt distribution of corporate surpluses. If all else fails, the price may be outright ownership.

Radicals shiver in their shoes, convinced that the Big Business is going to bolt with the show. Certainly it will if it can. But can it? Many of the cartels are in the fated capital goods division of industry, which technological forces have destined for a smaller rôle in the future than in the past. All of them are quantity production industries and so dependent in the last analysis on the buying power of the masses. The State is now the only catalytic agent which can generate that buying power. If the RFC, the PWA, the AAA, the relief organizations shut up shop, the several cartels would be in grave danger of shutting up shop too. Certainly at the present writing the State has the upper hand, precisely as it had during the World War. The cartels, for the moment, must come to terms with the State, lest the mass income which feeds them be cut off. How long the State will hold the whip hand is for history to decide. If capitalism is really declining, as some fear and others hope, the whip will remain in the hands of the State, and the cartels will move by one regulation after another into the penumbra of public business.

Interestingly enough the great corporate groups are by their very nature closer to collectivism than the scattered hordes of retailers, laundry owners, garment makers, gadget manufacturers and other small business men. They are impersonal, cumbersome, plagued with red tape, highly organized. Except at the top, the Bell Telephone system does not differ greatly from the Post Office system. Their armies of employes have the same type of habit patterns and responses. The girls on the switchboard suffer from no more responses to the profit incentive than do mail carriers. The Bell system certainly has better research laboratories and perhaps plans better for extension of service. The Post Office system does not have to hop around for stockholders and does not have to pay 9 per cent on somewhat diluted stock. Of course the telephone company is already half in the public zone as a regulated utility, but serves as the type toward which Big Business generally is showing every sign of moving.

Big Business, it must be remembered, has twisted traditional notions of private property upside down. Berle and Means in *The Modern Corporation*

show in great detail how the owners of our great corporations no longer control them and how the non-owning "control" often plays ducks and drakes with the property to its own advantage and to the detriment of the stockholders. The law has not caught up with the "control," and the 2,000 men or more who dominate the 200 corporations comprising Big Business are in a shaky legal position. Witness Mr. Insull. Meanwhile, the lawful owners ask little more than a conventional dividend, some 4 or 5 or 6 per cent they can count on, send the children to college on. Few of them have the slightest interest in their property as an operating mechanism.

How, in this situation, can the traditional logic of property still apply? Because an owner who was responsible for his property was protected by the State, must it necessarily follow that an owner who has surrendered control of his property should likewise be protected to the full? Here is the weak link in the whole corporate structure. Deny the protection, deny the "control" the right to play fast and loose with other people's property, and Big Business is left swinging in a legal stratosphere, not really owned, not really controlled. "The control groups have cleared the way for the claims of a group far wider than either the owners or the control. They have placed the community in a position to demand that the modern corporation serve not alone the owners or the control, but all society."

We have noted the aim of an economic system under high energy conditions—an adequate livelihood for the last family as the base for a genuine civilization. We have seen how economic activity falls into three great commodity divisions—the essentials of life, the niceties, the underlying industries. If the aim is to become a reality, the first and the third are largely matters of public business. The second can be left to private enterprise.

Again, we have seen that from the functional point of view the community has an explicit interest in doing those things which private business does not do, in maintaining services which, because of losses, private business is abandoning, in conserving natural resources. If Big Business, having abandoned free competition, is to become, as in the NRA, a State-sanctioned series of monopolies or near monopolies, the community must either control them or render itself liable to appalling stoppages in the interest of high prices. Finally, we should emphasize again that public business operating in any given zone does not necessarily preclude private business therein. It may leave private ownership legally intact, simply transferring cardinal policy decisions to the community. That these decisions cannot fail in the long run to affect profits goes without saying.

Germany's Shattered Economy

By Willson Woodside*

There are many people who held that inexorable economic laws would in the end be too much for Hitler's National Emotionalism. The German Communist party, in fact, based its whole strategy on this. "Wait, and let the Nazis fail," they said. Events seem to be justifying them, for the Nazis are struggling within an ever tightening ring of economic difficulties.

In justice to Hitler, let it be said that the task he took over so eagerly was no light one. If the depression or, as it is more usually called in Europe, the crisis has been hard on us here in America who met it under conditions of the greatest prosperity yet seen by man, imagine what it has been like in Germany, bled white by war, overpopulated, scarce able to coax enough food from a poor soil, in debt to all the world, and utterly dependent for a living on export trade at a time when nations do not want to import—and on top of all this, revolution and the Nazis.

Germany is poor. Shorn of colonies, capital and markets, she is in need of most essential raw materials, of foreign investment income to make up a normally adverse trade balance, and of sales of factory products that must support two-thirds of her people. Three years ago her exports were more than Great Britain's; now they are little over two-thirds. While Great Britain is able to go merrily along importing twice as much as she exports, Germany with a much greater population is now pinched down to well under half of Britain's supplies. Certainly Germany is poor; which does not mean to say that she herself has not helped to make the situation what it is.

Where then out of this poverty have Hitler and Schacht found the resources for their much-talked-of armament program, the work-making campaign, the marriage loans and so on? What is the actual state of their trade, and how far have they gone with the building of *Ersatz* (substitute) industries? What about shortages, prices and wages? Is an inflation inevitable? Can Hitler and Schacht solve their problems?

German trade is at the lowest point in ten years. It is just three-quarters of what it was when Hitler rose to power, which is a good deal less than three-quarters of what it ought to be in a mildly recovering world. The boycott is not the primary cause of this drop; exports actually improved in every quarter in 1933, the year of the Nazi revolution. The main reasons are the cessation of the huge Soviet purchases and the greatly increased tariff protection of agriculture, which just at the turn of 1934 caused the termination of most of Germany's trade treaties. The discontinuation of the cheaper government-subsidized *Sperrmark* (blocked mark) exports in the middle of last year further weak-

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ened the chances of German exporters.

Add to these disadvantages and setbacks such factors as high costs of production through the loading of industry with unneeded workers, idle running time caused by raw material hold-ups, interference and bureaucracy, buyers' fears of getting inferior quality goods, and the high price of the mark. Twisting and turning to find a way out, the Nazis have sought —whether from desperation or as a matter of common sense—the method of barter. Much is being made in the German press of the attempts to arrange these deals—cotton and copper from the United States, coffee from Brazil, nitrates from Chile and wool from South Africa, all in exchange for German manufactures. So far, however, only the South African bargain shows promise; the Americans at the Leipzig Fair displayed no interest in these complicated exchanges.

In any case such deals could be only a drop in the bucket. They cannot get around the main truth that Germany's big export business lies in Europe, is made up of steel, machinery and chemicals and therefore depends on the maintenance of a tranquil European atmosphere favorable to new construction. But the maintenance of tranquillity of any kind has never seemed a Nazi predilection! Germany's big customers here, too, have been sharply rebuffed by Schacht's wily methods in the handling of the debt transactions and, what is worse, his failure to pay for actual goods received. The harm to Germany's trade, always bitterly attributed in Nazi speeches to "the devilish international clique of boycott," is mostly of her own making. The export returns show for January, 1935, the amazing new low of 299,000,000 marks, as against 800,000,000 marks in the corresponding month of 1931. This raised the question whether the next move would not be a declaration of a moratorium on all private foreign debts, as 400,000,000 marks is still being annually transferred in interest.

On the import side the process has been one of slow starvation. With all the gold reserves gone, imports can be paid for only out of the *Devisen* (foreign exchange) available from the steadily declining export business. The *Devisen* income is liable to be less in 1935 than ever before, although with *Sperrmark* exports finished, all exports now bring in full value in *Devisen*. Moreover, the Soviet gold payments of 50,000,000 marks a month for old imports are about to come to an end, and this will have much the same effect on the *Devisen* supply as a further 15 per cent drop in exports.

If imports appeared to be at a high level lately it is only because they are so much above exports; actually they are only level with the 1932 imports and just half of the 1930 imports. The German industrial machine, however, had been speeded up by the Nazi work-making credits to 50 per cent faster than at the low point of 1932 and, in fact, to about the mid-1930 tempo; there was not sufficient material to feed it. As the larger part of this increased production was in heavy industry, directly or indirectly serving re-armament, a shortage of necessary things was created. Iron and machinery are 75 per cent above mid-1932, consumption goods only 17 per cent above.

Imports for December, 1934, and January, 1935, reached the highest average since 1931, running up in January alone an adverse balance of 105,000,000 marks. Schacht blames it all on the clearing arrangements, which he says had created 500,000,000

marks of new commercial debt, but it seems to indicate a breakdown of the "New Plan." He promises to curb imports anew (but also to supply "exporters liberally with raw material") and to encourage exports by a manufacturers' mutual subsidy fund.

Among the imports now most severely restricted are wool and cotton. During the last half of 1934 certainly something less than the country's needs was brought in. But for an entire twelve months up to that time more had been imported than even in 1928 and 1929. There was a real boom in textiles, and by late Summer the largest manufactured stocks since the war had been piled up. Thus a real consumers' shortage should still be some way off.

The choking off of necessary imports has brought out a flood of substitutes and a much greater flood of talk about them. You hear of Vistra, Wollstra, Rayonstra and Silekstra (substitutes for cotton, wool and silk); of Zellstra, Cuprana, Seelo, Flira and Angorina. Many would imagine the Germans already to be wearing paper boots and thistle cloth suits, and riding on steel-tired bicycles. Actually things have not gone quite that far.

Much political clamor has been made out of the issue. Opportunity has been taken to call for a demonstration to the world of "disciplined sacrifice." "The world," we are told, "need not think it can bring us to our knees. We can make substitutes for anything we require." No doubt there is a strong desire, after the bitter lesson of the war, to make Germany as nearly self-sufficient as possible; this is mixed with worship of the God of German Technical Genius. Yet only military purposes could justify the effort, the sacrifice and the expense. The ruinous costs would spell finis to Germany's competitive position as an exporting nation.

Germany has now gone so far as to produce about 30 per cent of her gasoline requirements from domestic soft coal, with a new plant planned to raise the percentage to 85. This processed gasoline today costs about three times as much as the natural product. A small quantity of artificial rubber is being produced at a cost many times that of the best raw rubber. Very large appropriations for artificial cotton plant have been made; the stuff is made from wood fiber, and resembles a dull rayon. Electrical motors and generators are being made without a bit of copper in them, with aluminum as the substitute. No more plumbing fixtures of brass or copper may be used.

Rayon plants in particular have been largely increased, and attempts are being made to produce fabrics to cover all women's dress needs. Rayon for men's clothing has not proved such a happy solution although quite good-looking cloths made of a mixture of wool and rayon have been produced, neither the feel nor the wear seems satisfactory. It is doubtful if Germany will ever be really successful in the attempt to create substitutes, and Dr. Schacht, for one, counsels against rash and uneconomical efforts. Even in rayon, so common as scarcely any longer to be considered a substitute, the fundamental problem of adapting German beech and pine to the making of good rayon remains unsolved. The woods used for this have always come from Canada and Norway.

The stuffs made of German woods at first strongly resemble the better goods. After a few weeks' wear, however, they lose their gloss, become crumpled and poor looking. Their re-

action to wetting is unsatisfactory; the fibers rot and decompose and the fabric becomes hard. On top of all this, the price is 20 to 25 per cent above that of regular textiles. The situation at present is that while industries have to use a good proportion of substitute yarns (and experience difficulty and delay in getting them), and are compelling buyers to accept half their orders in *Ersatz* materials, only small quantities of these little-trusted goods have so far got out to the public.

For one thing, the public, or such sections as had money, had already hoarded up what they could of white goods, fine English suitings, soaps and other commodities. "Do these clothing hoarders," Goering's paper asked (and Goering, as every one knows, manfully bears the tedium of his one poor, frayed uniform!), "think that they will be able to walk through the streets later, clad in a suit of English woolens, when the rest of the nation has had to don substitutes?" Then there has been a period of saving and scrimping and anti-waste campaigns; housewives have been told that floors can be done just as well with half the wax, shoes with half the polish, clothes with half the soap. But taking it all in all, the public has so far really had to buy little in the way of substitutes.

Where has all the money come from for Hitler's work-making and rearmament? If Germany is as poor as is said, if all the sustained effort of last year's Winter relief only drew 337,000,000 marks out of the people, then where has Hitler found the money for labor camps, Black Shirts and Reichswehr, for Saar, Austrian and Memel propaganda, and for aircraft and armaments? There is, too, the 1,000,000 marks a day for the marriage loans, the 400,000,000 marks lent for house and factory repairs, and the 222,000,000 marks snuffed up in Reichspost losses. Other costly and uneconomic undertakings are: artificial gasoline plant, 250,000,000 marks; artificial cotton plant, 250,000,000 marks, and a system of great new (military) roads, 3,600,000,000 marks.

All this has been done largely through anticipation of future income. The Reich has floated loans known as Work-Making Credits with the Reichsbank, the private banks and credit institutions; these amount at present to at least 3,250,000,000 marks, are renewable in three months, and are repayable over the years up to 1938. In addition, private industry has undertaken or had forced upon it a work-making program (Papen Plan) of 1,900,000,000 marks. The insurance companies have been called upon for 500,000,000 marks; dividends over 6 per cent have been made liable to confiscation, Reich paper being given in return.

The outside world helped also, involuntarily; since the transfer moratorium of June, 1934, German debtors have had, nevertheless, to continue to deposit their interest at the Reichsbank, receiving Reich paper for it. A public loan launched last Summer brought in only 70,000,000 marks in four weeks; no more have been tried since, but the government has reached the people's savings just the same, forcing a loan of 500,000,000 marks from the savings banks in January. The Winter Relief (which is indirectly relief for the government) has been run again.

Still, ever more funds are needed. The recovery appetite for 1934 was about 100,000,000 marks a week and increased tax receipts are bringing in only a quarter of this. So begins a new chapter; a huge conversion of 8,000,000,000 marks of mortgage bonds and 2,000,000,000 marks of gov-

ernment obligations—"voluntary," of course—reduces the interest rate from 6 to 4½ per cent, and prepares the way for a large compulsory public loan; all available funds in Germany are to be mobilized. This looks like desperation, and indeed it is, for Hitler's resources are rapidly nearing exhaustion.

Is then an inflation probable? It is at least not inevitable. It has often been said that the Nazis have already produced a concealed inflation, but this is not properly true. Neither has the total volume of credit or currency increased; the Reich has simply stepped in and laid claim to every credit that private business left idle. Germany's internal floating debt has, it is true, been raised by the Nazis from 8,500,000,000 to 15,000,000,000 marks, but this could probably be managed, as Germany's debt is in any case low, compared with that of other big countries. But the German economic pump has not been primed, nor can it be as long as the export trade is caught between the upper and nether millstones of a government-fostered internal boom and a high-maintained value of the mark.

An honest devaluation could have been managed two years ago; strongly urged by the export interests, it was prevented by the pride of Schacht and Hitler. Undertaken now it would spell only utter failure to the people. The average man fears an inflation more than war, is almost panic-stricken at the thought of it, and believes that if the mark is once slipped from its moorings it cannot be held. Schacht is at a critical juncture. He must choose either to abandon the work-making schemes, thereby causing a large increase in unemployment, with its dangerous reaction on business and public feeling, or to undertake inflation of some sort. Or will he try a middle way, with some inflation and some reduction of work-making?

Actually such reduction is under way. The high point of recovery was reached last Summer. Since then house repair loans have been steadily canceled, the textile industry has been put on short time, and wholesale and retail sales have fallen 14 per cent (January). In employment also the tide has turned; whereas in January, 1934, there was an increase of 286,000, in January, 1935, there was a decrease of 369,000. It is in making work that the Nazi government, like any other present-day government, must in the long run meet its fate. Its success in late 1933 and early 1934 in finding work for half of the 6,000,000 unemployed was one of the main reasons for the real enthusiasm for the régime at that time. Now the recovery funds have been largely spent, and it is known that no new projects will be undertaken this year. In this light, the pronouncement of Dr. Ley to the Labor Front that "not a single German worker will remain unemployed by next Christmas" appears only as a little play of bombast against fact.

One of the major battles of the Nazis has to be fought out in the worker's pantry. Prices have crept steadily upward during the past year and a half, especially since last Summer, while wages have been slightly reduced as a result of a general sharing of work. Vegetables are up 25 per cent, potatoes have ranged as much as 80 per cent higher, and dried split peas, a staple item in the budget of every German working-class family, are three times the 1934 price. Bread, butter and milk have risen slightly. Wheat sells at $1.50 a bushel in Berlin, butter at 60 cents a pound and eggs at about 50 cents a dozen.

In contrast with such prices the

German worker, according to official figures, receives an average wage of $9.50 a week, or about $7.75 after all deductions have been made. For the unemployed, insurance benefits, originally set at 80 marks a month in 1927, have gradually been pared to 30 marks, or about $12 a month. As it is, only 250,000 out of the 2,750,000 at present reported on relief receive insurance benefits; the remainder have been shifted to municipal welfare and emergency relief. It is true that more are working, but all earn less. With industrial production 50 per cent above the low of 1932, the total workers' wage bill rose from 6,500,000,000 to only 7,600,000,000 marks.

A Price Commissioner has been appointed. He is doing his best to keep prices down, and will probably reduce agricultural prices, calling on the farmers to "share in the national sacrifice." But he has no power to get at the root of the trouble. Prices are going up as a result of the government-fostered internal boom, the shortage of raw materials, the foreshadowed shortage of good textiles and many other necessaries, and because in general production is more hampered and more expensive. Food prices are high because of extreme protection for home grain, dairy produce and fodder. The resources of the nation are being squandered on unproductive armaments, and the Price Commissioner is not empowered to halt that.

The German people have rallied to Hitler for providing leadership and restoring authority in a time of political chaos, for unifying the Reich, for putting millions to work, for refurbishing Germany's "honor" and awakening a new belief in the country and the future. For these things they have sacrificed much, and perhaps they will tighten their belts further and make still more sacrifices beyond all reasonable expectation. Perhaps they might even face an inflation, although it has always been said, and is apparently believed by Hitler himself, that it would mean the end of the régime.

It is difficult to see how Hitler can solve the problem and re-establish the country, peacefully. Too many Germans are cramped into too small a space. For sixty years an increasing population has been supported by growing industry. Between 10,000,000 and 12,000,000 Germans depend on the export trade for a livelihood. Not only must the export trade continue to sink under the Hitler-Schacht régime on account of things like rising costs of production and lowered quality, but viewed largely the good old days of the export business appear gone, at least in this generation. Industries established throughout the world, often artificially fostered behind national barriers, have strangled it. Germany is no longer the workshop of Central and Southeastern Europe any more than Europe is the workshop of the world.

Putting a couple of million people back on the land will help slightly, although the land seems worked to its poor limit supporting 22,000,000 today, as it supported 22,000,000 sixty years ago. Living standards will sink further. There have been three attempts to bring about German domination or recovery—the war, the inflation of 1922 and the Nazi revolution, and if the third fails, Germany may be overwhelmed by chaos. Still the productive equipment of the country is splendid, and the great technical ingenuity and organizing ability of the people and the surging vitality of the youth must in the long run put Germany on her feet again and perhaps once more make her predominant in Central Europe.

Lloyd George Resurgent

By P. W. WILSON*

DAVID LLOYD GEORGE may be a man with a political past, but how is it conceivable that he can be a man with a political future? To Americans, there is a certain unreality in the idea that a former Prime Minister who has been out of office for twelve years and has celebrated his seventy-second birthday should be trying to stage a come-back. If ever there were a case of a statesman on the shelf, it would seem to be Lloyd George, and yet he has opened a campaign that questions the whole recovery program of the present British Government.

Over Lloyd George's plans, in so far as he has any, all parties are in various minds. Neville Chamberlain, as Chancellor of the Exchequer, is frankly hostile, and Lloyd George has written to indicate that the aversion is mutual. The first reaction of the government was thus to ignore the crusade.

Public opinion did not support that negative attitude, and Prime Minister MacDonald has invited Lloyd George to submit his proposals to the Cabinet for examination. Lloyd George has welcomed this calling of his bluff, as some regard it, and he has promised to translate his speeches into a concrete policy.

These are days when the world moves rapidly. All the leading contemporaries of David Lloyd George, as they were regarded, have passed out of the picture—Balfour who curiously loved him, Haldane to whom he was a phenomenon that Hegel alone could have explained, Grey who held him at arm's length, Asquith who, despite himself, was fascinated, even juniors like Birkenhead and Masterman. So with the Big Four at Versailles. Woodrow Wilson and Clemenceau—they seem to have belonged to a former era; and Orlando has vanished into oblivion. Since the citadel of Lloyd George's omnipotence collapsed in 1922, Great Britain has had three Prime Ministers, Bonar Law, Baldwin and MacDonald.

Lloyd George himself has behaved, at times, in a valedictory manner. Hinting that even supermen must live, he is a contributor to the Hearst press. Up before breakfast, he has worked at one volume after another of his reminiscences. At Churt in Surrey he has been developing an estate of 600 acres where he is to be seen by the camera men as a kind of Squire Cincinnatus, rubicund, radiant, venerable, and when children visit him he plays the part of a jovial grandfather. Here is the man who, obviously, has done his bit and left his major cares behind.

If, then, he shoulders once more the labors of initiative, he would wish it to be understood that, in saving the nation, he is only acting under an imperative sense of obligation. And the British, as they listen to his speeches, are prepared still to find him useful. They are not wholly at ease over their situation. The immediate wave of prosperity stimulated by the change from

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free trade to protection has spent itself. Once more there is talk of an economic "emergency," and so Lloyd George's characteristic idea of having a small "war cabinet" to deal with it strikes the imagination. Why not bring him into the national government and so dish a resurgent Labor party? All kinds of people—Samuel and Simon for the Liberals, Austen Chamberlain and the London *Times* for the Conservatives—have uttered words of welcome to the wanderer. After all, in the event of an election, the name of Lloyd George might do the trick.

What Lloyd George proposes is comparatively simple. He sees that labor is unemployed. Also he sees that in the banks there has accumulated a large reserve of unemployed capital. He considers that this capital should be used for projects of every kind—housing, roads and so on—in which unemployed labor would be absorbed. There are those who regard this policy as identical in essentials with the policy of President Roosevelt and it explains Lloyd George's attack on the Bank of England as the agent of the City of London rather than of industry.

There is also heard the argument that the internal development of a country already developed will never meet the whole situation, that Great Britain must have foreign trade. Now that tariffs are in force Lloyd George thus declares for using them as weapons with which to promote a reduction in tariffs all round, and there is one allusion in his speeches that concerns the United States. In 1911 he hinted at a famous bankers' dinner that Germany had gone far enough in Morocco. He now hints that Japan has gone far enough in China. That is indeed a plain hint.

For many years before the war, I knew Lloyd George as intimately as any man knew him. I saw him whenever I wanted to and received many of his confidences. I know something also of Great Britain and the changes that have transformed that country. I cannot quite admit that the latest enterprise of the "little Welsh wizard" is to be dismissed as the forlorn, indeed the frivolous, hope of an old man in a hurry. That is all it may prove to be. But we have to bear in mind British tradition and the subtle working of the British Constitution.

There were days when the British, like other nations, cut off the heads of their superfluous statesmen and so safeguarded the unity of the nation. Today the argument is that, if the occasion should arise, a statesman once trusted cannot be unworthy of further trust. A Prime Minister on leaving office is not held to be superseded. He joins the political reserves and is at hand whenever necessity may arise. That has been the position in recent years of David Lloyd George. He may not have presided over a Cabinet, but he has attended and spoken in the House of Commons. He is still a member of the Privy Council and as such enjoys certain privileges and contacts with the management of public affairs.

The comeback of elder statesmen is a British idiosyncrasy. Gladstone at 65 was swept out of office by Disraeli, but at the age of 71 he carried through and won his famous Midlothian campaign and, despite the Queen's opposition, was Prime Minister three times, retiring from office at the age of 85. Under the spell of Gladstone's octogenarian crusade for Irish home rule Lloyd George, then aged 27, entered the House of Commons in 1890. For days and nights of forensic excitement now unbelievable—the last great display of classic Parliamentary

debate — this impressionable young Celt listened to the Grand Old Man eloquent. Is it any wonder that Lloyd George, himself an old man eloquent, wonders whether in his turn he may not be able to bend the bow of Ulysses?

There are those with whom it is impossible to discuss Lloyd George. They treat him as a trickster and his career as trickery; any one who refuses to accept this appraisal is labeled as a Lloyd George man. I do not plead guilty to any such label. What matters, after all, is fact.

For seventeen years of peace and war Lloyd George sat continuously in a British Cabinet. By general admission, he was never other than an impelling, if not a compelling, influence. For six years he was Prime Minister. During his long period in the Cabinet there were four general elections, in all of which the government to which he belonged was supported by a majority. That is a record which deserves an explanation more serious than a smile or a sneer. The record is history.

The theory that along with the ninety-and-nine in the Liberal fold, Lloyd George was the one lost sheep on the somewhat deceptive Welsh mountains is now obsolete. Where are the ninety-and-nine? Runciman, stern unbending Cobdenite as he used to be, is a pillar of protection. So, too, Sir John Simon, who formerly was quite too orthodox to associate with Lloyd George. There is Reginald McKenna, now a leading banker and a convert to tariffs. The late Lord Melchett, protagonist of free trade, uttered recantations. Even Sir Herbert Samuel joined and supported a government that abandoned the principles of Peel and Gladstone. These are inconsistencies amid which the record of Lloyd George seems at times to have been straightforward. He has turned his full share of political somersaults, but not usually as a public performer.

Those who see Lloyd George only at a distance think of him inevitably as a superman of the war. That is a misreading of his character and his career. Of Lloyd George, as of Smuts, Woodrow Wilson and Asquith, it can be said that the war was no fulfillment of destiny. It was a tragic frustration. Lloyd George, so far from conquering, was a casualty and today the essential man has emerged from the poison gas.

Over the war Lloyd George has been fiercely attacked. Was he not the traitor in the camp who betrayed Asquith to the Northcliffe press? Was he not the civilian who made a mess of it by interfering with the generals and admirals? He has refused to take it lying down. Not that he is greatly concerned with the judgment of posterity. What does matter to him is his immediate and negotiable prestige.

His reminiscences* are to be read, therefore, as an apologia for an interlude. One story, it may be said, is good until another story is told. In this case, it is the other story that Lloyd George is telling. On the platform, he is apt to be a rhetorician. In this writing, at any rate, he has left nothing to chance. As a marksman, he has selected the most vulnerable targets and his aim is careful. Every phrase is intended to create its impression. Every fact is selected and verified.

The conclusion is suggested that, in a supreme emergency for which he was not responsible, here was a man who kept his head, who was incapable of anything approaching error, who knew what was the thing to do even if others, less discerning, made it difficult for him to do it. Of Grey's di-

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* *War Memoirs of Lloyd George.* Boston: Little, Brown & Co.

plomacy, he indicates the opinion that he has more forcefully expressed in conversation. He seeks to show how obstinate were Kitchener and the War Office over high explosive shells. His account of his initiation at the Ministry of Munitions—technocratic in its statistics—reads like an epic of mass production. He exposes the hostility of the Admiralty to the convoy system. The spectacle of a British Army ordered by Haig to advance across a Balaclava of impassable mud at Passchendaele is presented to veterans of the war with ruthless scorn and, at the moment—for Lloyd George, the psychological moment—there is no rebuttal; Haig's biography has yet to be completed.

In his constructive crusade, Lloyd George faces fearful odds. At the general election in 1931, the Conservatives won 471 out of 615 seats, often by enormous majorities. The Conservative majority over all parties thus exceeds 300 on a vote of confidence. Led by Stanley Baldwin, who is today Prime Minister in all but name, the Conservatives are the real party in power. Despite die-hard activities over India, stirred up by Lord Lloyd and Winston Churchill, the Conservative forces retain their solidarity. Up to December, 1934, the party had lost only eight by-elections.

To the Conservatives there have to be added thirteen National Labor members led by Ramsay MacDonald as Prime Minister and by J. H. Thomas, who is Secretary for the Dominions. There are also the Liberals. That party, once so predominant, is reduced to 72, all of whom retain the name. But there are three not very clearly defined groups. The first, led by Sir John Simon, openly supports and indeed holds office in the government; the second, led by Sir Herbert Samuel, has, under outside pressure, crossed the floor of the House and sits in Opposition; the third group shares a family umbrella. The most united of British parties consists in the main of Miss Megan Lloyd George and Major Gwilym Lloyd George, both members of Parliament. It is led by David Lloyd George, who controls what is left of the famous war chest that was filled to overflowing in the great days of his dictatorship and who is advised, as in former days, by a brain trust of social experts.

What we are witnessing is thus a strictly personal campaign and, in British politics, this is by no means a novelty. There have been several campaigns of this kind conducted by statesmen of the highest rank. In each case, the statesman—and this should be particularly noted—attached himself to a cause that was clear, definite and appealing to public opinion. In the Eighties, Gladstone was single-handed in his crusade against the Bulgarian atrocities. Thirty years ago, Joseph Chamberlain, for whose political genius Lloyd George has always entertained the highest respect, appealed for tariffs.

Lloyd George announces that he also is champion of a cause. It is for the sake of the cause, so he insists, not for personal reasons, that he is entering the field, and the question is not whether, in denying that Caesar is ambitious, he is sincere. The question is whether his cause is or is not a challenge.

Before the war there were specific grievances in Great Britain to be remedied. The Nonconformists complained that they did not enjoy religious equality in the schools. The Welsh wanted disestablishment. The women clamored for the vote. Ireland demanded home rule. The whole of those grievances—the main part

of the old Liberal program—now belongs to the past, and discontent has assumed a new, a more formidable guise. It is social and economic. The cause may be summed up in the single phrase, standard of living.

Before the war the economic question was comparatively simple. There was no doubt that the country was prosperous and steadily accumulating resources. It was only the distribution of profits that troubled the orators, and distribution could be adjusted by a graduated income tax and what Great Britain calls death duties on inheritances. An alleged privilege, particularly resented, was the law safeguarding the ownership of land. It was to rectify these inequalities that Lloyd George introduced in 1909 his "People's Budget," and defended it in those speeches which came to be described as "Limehouse." Reading those speeches in cold blood, we see that they were not nearly so inflammatory as the orations with which Joseph Chamberlain in the early Eighties expounded his somewhat similar "unauthorized program." Even at Limehouse, Lloyd George did not tell the peers that they "neither toil nor spin."

Twenty-five years ago, the obstacle in the way of progress was the House of Lords, but after two elections, the veto of the peers was restricted by the Parliament Act. Since that day the British aristocracy has been dragooned by events more terrible than any Limehouse speech. There is taxation that far exceeds anything proposed or imagined in 1910. Houses and pictures have been sold. Estates have been broken up. It cannot be said that wealth is not paying its share. Wealth is paying to the limit.

What the nation has to face is not the distribution of wealth but whether there is enough wealth to go round, and here we may recall the proverb that one-half of the world does not know how the other half lives. It is entirely possible to present a picture of prosperous England. On the whole, the South of England, especially London, is prosperous, for which condition there is a reason. Great Britain has adopted high tariffs, and at first a tariff stimulates production for the home market.

But there are what have been described as "black spots," especially in the North. Four major sources of national income—coal, iron, cotton and shipping—have been subjected to prolonged depression, and the aggregate losses have been stupendous. A multiplying nation, amid discouragement of emigration, has to subsist on a heritage, heavily mortgaged, in which normal expansion is retarded. Priestley, the novelist, offers in *English Journey* a somber panorama of what is meant by the struggle for a standard of decency and comfort.

There is no doubt as to the depth of social discontent. Municipal elections are no safe guide for prognosticating national politics, but the fact remains that Labor, at the last municipal election, swept the board and is today governing London. No less significant are the fascism of Sir Oswald Mosley and the uprising of other groups, especially within the ranks of Labor.

The difficulty of Lloyd George is that he has no party. The difficulty of Labor is leadership. It is not easy to exaggerate the staggering blow to the confidence of the rank and file of the workers—indeed, to the sincerities of public life—that was dealt by MacDonald, Snowden and Thomas when they joined the Conservatives and Liberals in a national government. Snowden has escaped from the

entanglement and finds revenge for his fate in bitter speech. Yet he is a peer, and while he lives cannot be anything else. MacDonald, so it is thought, clings to a government that could get on without him and, justly or unjustly, he is regarded in many quarters as the arch-traitor. Henderson and George Lansbury are respected. But they are less vigorous than they used to be and, in any event, Lansbury is not built of Prime Ministerial timber.

Labor is not without men of ability —among them Morrison of the London County Council and Hugh Dalton. But their record is comparatively unknown, and even in these days of fickle fortune it may not be easy to carry the country, whenever the test of a general election comes, on the strength of these names. Whatever may be the disclaimers on all sides, Lloyd George is an asset in the kaleidoscope. This does not mean of necessity that he would insist on serving in the Cabinet. He is quite sincere in saying, as he always has said, that particular offices do not interest him. Let who will choose the Bishops! He would play his part in any capacity that provides what Roosevelt defines as an opportunity for "action."

It was said of another David than Lloyd George that he organized his headquarters in the Cave of Adullam, where the discontented made him a captain over them. Lloyd George is what, in the political jargon of the Victorian Era, is known as an Adullamite, and the unattached are invited to join him. Churchill, who has been twice a Conservative and once a Liberal, is said to be considering a new orientation. Even Mosley is on the watch. Snowden is openly sympathetic. Such recruiting, if it were to continue, would suggest that a victorious Lloyd George would again be found in a national government, as composite as the present government, but inclining to the Left, not the Right.

The issue does not depend on parties. The vote cast in immense constituencies would be of the nature of a plebiscite, but it is impossible to predict how mass opinion might swing. Certain men in the limelight — of whom Lloyd George is the most picturesque—will appeal to the democracy. The deciding instinct will be opportunist. Would Lloyd George be able to persuade the nation that he can make a better job than the government of national reconstruction?

In a measure the government is doing what he wants to see done. The real monument to his fame is social insurance—a policy that affects the entire body of the people—and social insurance has been extended and reorganized on lines that are likely to be permanent. The housing program may not be adequate, but there is a program. So with electric supply. So with control of agriculture.

Immense multitudes are eager to listen to Lloyd George. A sensational press is not ungrateful to him for thirty years of headlines. But as Gladstone discovered, public meetings are no barometer of electoral results. The people who stay away are the people who give the answer, and among those people Stanley Baldwin has won a special place as a safe and a disinterested man. If, however, Lloyd George and Stanley Baldwin join hands, it may be quite another story. Nor must it be forgotten that, in such situations, there is King George, not wholly quiescent, from day to day, in Buckingham Palace. The King's government must be carried on — the stronger the better.

Decline in the Cotton Kingdom

I—The Planters' Prospects

By WAYNE GARD*

WHETHER cotton growers in the South return to the stale hominy of the Hoover era or retain the happier diet attained during the last two seasons will depend on the outcome of several new situations that have arisen to plague them. Some observers will not be surprised if the next decade brings to King Cotton's domain agricultural and social changes as profound as those which followed the Civil War.

In the first place, cotton, the one major American crop which thus far has resisted mechanization, is now confronted with mechanical pickers which threaten to displace much of the hand labor used since the earliest days. Such mechanization would reduce the cost of producing cotton and thus enable the United States to compete more advantageously with those foreign nations which, for some time at least, might cling to hand labor.

An additional result might be the further westward shift of the American cotton belt. Texas already has become the leading cotton State, producing a third of the nation's crop; and New Mexico, Arizona and Southern California have begun growing a fine quality of long-staple cotton. Mechanization appears likely to make its most rapid progress in the Southwest, where the relatively flat land is favorable to the use of tractors and where labor is scarce.

Another development, even more disturbing to the equanimity of Southern farmers, is the threat of new cotton substitutes. In addition to rayon, which competes with cotton as well as with silk, several new synthetic fibers have been developed by European scientists from cellulose made of wood pulp. The new fibers have the advantage of being of more uniform length than ordinary cotton fibers, and they are adapted to cotton-spinning machinery now in use.

Samples of the new textiles, already examined in this country, have caused considerable uneasiness. One, produced by textile mills in Milan, has been declared capable of replacing 80 per cent of Italy's cotton consumption. From Germany have come several new types; vistra can be made to look like either cotton or silk, while woolstra is as warm as ordinary woolen cloth and only half as heavy. The cost of manufacturing these new synthetic products is still slightly greater than of those textiles for which they are intended as substitutes, but quantity production may make their manufacture practicable before long. Meanwhile, Germany is rapidly increasing her production of rayon as a means of freeing herself from the necessity of importing cotton; and jute and other fibers are being used extensively, even in the United States.

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The large-scale manufacture of cheap cotton substitutes could hardly avoid bringing disaster to the cotton belt of the United States. Mechanized farming might soften the blow by reducing the cost of producing cotton, but thousands of acres of cotton land now considered profitable would become submarginal almost overnight. In the Southeastern States much of the poorer cotton land would probably be planted in trees for the production of paper and of synthetic cloth, and rural population would dwindle. The westward shift of the cotton belt would be facilitated, since the Southwestern States cannot grow forests and already, by partial mechanization, are growing cotton more cheaply than it is produced in the older States to the east.

Of more immediate concern than the problems of mechanization and of cotton substitutes, however, is that which has to do with acreage control and cotton exports. A more permanent cotton policy must be adopted soon; and, if acreage control is retained, attempts must be made to cope with the rapidly expanding cotton production in Brazil and elsewhere. Opponents of the present policy of production control maintain that the foreign market for American cotton is being permanently sacrificed for the sake of temporary relief to the growers.

This question is a pertinent one, since the present control measures extend only through the 1935 crop season. The present Congress will have the responsibility of retaining or dropping the policy of control now in effect. The December referendum of Southern farmers on the continued operation of the Bankhead Act did not by any means settle the controversy, though it did reveal unmistakably the farmers' attitude.

Long regarded as deep-dyed individualists, the cotton growers had been represented as opposed to the regimentation of the Bankhead Act. Their ballots showed that, far from being resentful, they have embraced enthusiastically the principle of agricultural planning. They have concluded from their recent experience that, in farming as in manufacturing, prices can be kept up by restricting production to market demands.

Of course, the administration's promise that two-bale farmers would be exempted from an inequitable provision of the Bankhead measure helped to make the approval overwhelming. Yet the 600,000 small planters, some of them pinched by the tax on excess production, constitute less than 30 per cent of the total, and their output amounts to only one-tenth of the crop.

The December nine-to-one vote indicated that dollars talk louder than traditions. The cotton growers not only have been receiving prices more than twice as high as those which prevailed in the season before the gold standard was abandoned and acreage control was undertaken but, in addition, have received checks from the Federal Government for the cotton they did not grow. Agricultural Adjustment Administration payments to cotton farmers in 1933 and the first ten months of 1934 totaled $166,786,380. This money came from the consumers of American cotton goods by way of a processing tax of 4.2 cents a pound on such goods, collected from the manufacturer.

Southern farmers have benefited further by being able to use their retired cotton land in producing grain, roughage and vegetables to be consumed on the farm. Thus the Bankhead Act has succeeded in bringing about a measure of the crop diversi-

fication which agricultural economists have been preaching for generations.

From the cotton fields, almost the only adverse criticism of the acreage-limitation program is that its benefits have not gravitated sufficiently to the share-croppers and other tenants, who constitute the bulk of the actual cultivators and who live under conditions closely approaching peonage. Often the landlord has retained a lion's share of the rental check which came from the government for retired cotton land. Nevertheless, the share-cropper has gained from higher prices, and steps are being taken to protect his interests in future acreage-reduction contracts.

Ideas of diversification and crop control in the interest of higher cotton prices did not descend upon the South from a clear sky with the advent of the New Deal. As long ago as 1868 people were discussing "the dethronement of King Cotton" as a matter for congratulation; and in 1891 eight-cent cotton led to the advocacy of a plan to reduce acreage by charging a license fee of $1.50 an acre for the privilege of planting the crop. In 1905, under the leadership of the Southern Cotton Association, a 14 per cent reduction was effected through voluntary agreements, resulting in an increase of 2 cents per pound for that year's crop.

The roulette-wheel method of production regained its dominance, however, and the 1931 plea of President Hoover's Farm Board for "immediate plowing under of every third row of cotton now growing" fell on deaf ears. Only the existence of a national emergency led to compliance in the plow-up campaign of 1933.

The main opposition to the Bankhead Act comes neither from farmers nor from consumers of cotton goods but from middlemen—from ginners, shippers, compress owners, railroad executives, brokers and exporters. Middlemen profit on the volume of cotton rather than on its price. When production outruns market demand they are not pinched by lower prices as are the farmers. In fact, they gain from the excess, since they refuse to lower the rates charged for their services. On the other hand, they do suffer loss of income when the volume of cotton is curtailed.

These groups serving the cotton industry have made heavy investments, and some of them are large employers. Obviously, their welfare cannot justly be overlooked. It must be recognized, however, that on the issue of crop control their interests conflict directly with those of the growers. Any effective method of relieving the cotton farmers from their burden of overproduction is almost bound to hurt the middlemen.

Yet, in the case of the railroads, the loss of cotton freight in 1934 was more than equalized by the gain in other Southern business. The government's cotton program so greatly increased consumers' buying power that—despite the cotton loss and the worst drought in half a century—nearly all the Southern roads had greatly increased operating revenue over 1933. Yet many railroad executives failed to see the situation as a whole and cast their lot with that of the processors and brokers.

Acting from a natural self-interest, middlemen groups are marshaling every available argument in their fight against the administration's policy of cotton control. They oppose the loan of 12 cents a pound which the government has been making to growers, contending that this domestic stabilization disrupts world price relationships and makes it difficult for foreign spinners to buy American cotton. They

maintain that this pegging policy, together with the curtailment of the American crop, will bring increased production in other lands and permanent loss of this country's foreign markets, which in earlier years have bought more than half of our lint.

Opponents of cotton control point out that in the year ended July 31, 1934, sales of American cotton in world markets fell off 632,000 bales, or nearly 5 per cent, while sales of other cotton increased 1,373,000 bales. With reference to the current crop, they call attention to a drop of 43 per cent in bales, or 25 per cent in dollars, in our cotton exports for the first five months of the 1934-35 shipping season. Further, they cite estimates indicating that the aggregate foreign cotton crop is the largest in history and that in 1934 the United States produced only 42 per cent of the world total, compared with a pre-depression normal of 60 per cent.

Taken alone these figures appear to give strong support to the contention that King Cotton is rapidly bleeding to death. But this alarmist view constitutes only one side of the cotton picture. America's loss in cotton exports cannot fairly be attributed to emergency measures taken by the Roosevelt administration; much of the loss came before the present policies were adopted. Foreign countries have increased their cotton production steadily for more than forty years, regardless of the large American crop. By 1930 these countries had expanded their cotton acreage to half the world total. In 1933, before cotton control was undertaken here, we increased our planting by 5,000,000 acres and other lands increased theirs by 4,000,000 acres. Even when the price was as low as 5½ cents our exports were diminishing.

While it is true that government loans to farmers on their cotton have tended recently to keep American prices slightly above world prices and thus discourage foreign buying of our cotton, the major export loss must be attributed to factors which arose before these loans were made and before acreage reduction was undertaken. In addition to the gradual increase of cotton acreage in other lands—spurred in some countries by political as well as economic considerations and in Brazil by the crippling of the coffee industry—conditions injurious to United States cotton exports include the effect of world-wide business depressions in lowering market demands and the unwillingness of Americans to accept goods from other countries in return for exports. Our tariff barriers, with the resultant dwindling of our imports, have made it difficult for potential buyers to obtain American exchange with which to buy our cotton.

The danger of increasing foreign competition seems to have been overestimated. In Egypt further expansion in cotton acreage is reported unlikely because the remaining productive land must be used in growing food. Any large and permanent expansion would require costly irrigation and drainage projects which could not be completed in less than two decades and which have not been undertaken. The need of land for food crops also operates as a check on cotton expansion by India, China and other countries. Russia's cotton acreage has been increasing only slowly, and the increase has been fully matched by that nation's enlarged cotton consumption. Imperial efforts to spur cotton production in new fields in the British Empire have not succeeded to an extent sufficient to threaten the American industry.

Brazil presents the only serious

danger of greatly increased competition in the world cotton market. Brazil's land area suitable for cotton is larger than that of the United States, and in the last decade her production has increased in rapid leaps. Lately, she has imported shiploads of Texas-made ginning machinery and has built railroad spurs into new cotton areas. On the other hand, Brazil is thinly settled and lacks adequate labor supply for continuous rapid expansion in cotton acreage. Immediate further expansion is discouraged also by an infestation of the pink boll worm and by the necessity of clearing dense hardwood forests. The recent cotton boom in Brazil has been largely a reaction to the slump in coffee; the return of a more favorable coffee market may serve as a check upon cotton expansion there.

The real danger to the future of America's cotton exports arises not so much from the present emergency measures of crop control and domestic price stabilization as from the possibility that foreign consuming power will be slow in reviving, from political obstacles to lowering American tariffs which hamper all our exports, and from the development of cheap cotton substitutes.

As for quantity output of cotton, America's potential production has not decreased. Not only is our carryover still abnormally high but, if higher world prices were in prospect, the Southern cotton crop could be greatly increased in a single season. Meanwhile, American cotton growers see no benefit in their reverting to the production of export cotton at prices that fail to pay the cost of production.

The Bankhead Act is, of course, a temporary measure, its operation being restricted to two seasons. Secretary Wallace and his advisers in the Department of Agriculture have not lost sight of the normally valuable stake of the United States in the world cotton market. An increased American output is contemplated for 1935—a 25 per cent reduction in base acreage in place of the 40 per cent cut of 1934—and there is no doubt that subsequent programs will allow further increases as this country's carryover is reduced and as the foreign demand becomes more active. Meanwhile, diplomatic feelers are being sent out to obtain reactions on a proposed international agreement on cotton exports, which might embrace Brazil, Egypt and India, as well as the United States.

Today, domestic prices benefit both from dollar devaluation and from crop reduction. Some growers are able for the first time in years to buy shoes for their children and to make payments on their debts. One heretical Texas ginner declared recently that the Bankhead program enabled him to collect debts which he would not have dared to mention a year earlier. This cotton relief has been achieved without placing a heavy burden upon consumers. The processing tax adds only 3½ cents to the price of a cheap cotton shirt, compared with a tariff of 23 cents.

Opponents of acreage restriction have urged an alternative plan under which cotton output would be unlimited and the grower would be paid a cash bonus on that part of his crop used domestically. The farmers, however, do not appear likely to be swayed from adherence to the principle of crop control. They also believe the processing tax has as much justification as the high tariffs under which they have suffered for decades. They know that foreigners cannot buy American cotton as long as we retain

tariff walls to keep foreign goods out of this country. As an example of what a general tariff reduction might do, they point to Japan; because she is able to sell us 91 per cent of her silk exports, Japan has become our best cotton customer, increasing her purchases here while other countries have been reducing theirs.

If a general tariff reduction or an international export pact could be obtained, American cotton growers might be willing to keep crop restriction without the cash payments they now receive from the processing tax. But the average Southern farmer does not pretend to be either an international economist or a prophet. At the moment, he is happily grinning at the wailing middleman who habitually has lived in luxury derived from the planter's toil.

II—Victims of Change

By NORMAN THOMAS*

PROSPERITY, according to our more or less professional optimists, has returned to the South. Cotton has gone up since the black year of 1932 from 4½ cents to 12 cents a pound. To this great increase in price must be added some $160,000,000 of rental and benefit payments for cotton land plowed up in 1933 and not planted in 1934. No wonder automobile sales in the rural South have had the highest ratio in the country! No wonder that the farmers have voted 9 to 1 for a continuance of the subsidized reduction in acreage from which such blessings flow!

Yet for almost the first time since the Eighteen Sixties cotton production in foreign countries has passed that in the United States. Roughly, the 1934-1935 figures stand 13,500,000 bales to 9,500,000 bales. There has also been a drop in cotton exports during the past year, a drop so sharp as to produce something like consternation in trade and government circles. A large army of unknown size has been driven off the cotton lands to swell the legions of the unemployed in towns and cities, or it has been driven into the deeper misery of casual day labor on the land. One cause of the plantation owner's prosperity is the fact that the government, not content with subsidizing cotton reduction for him, now keeps his former tenants from inconveniently starving in his fields. Over the scene hovers the shadow of a successful cotton-picking machine, invented by the Rust brothers and already manufactured on a small scale by the Southern Harvester Company in Memphis, Tenn.

What does all this mean? This at least, that the partial and temporary prosperity bestowed on the cotton country by the AAA, with the aid of the drought, has solved nothing. It has been a contributing factor in the loss of the export market for cotton, while it and its kindred agencies under the New Deal have not increased the domestic demand for cotton. It has accentuated some of the worst features of the plantation system; it has taken risk and responsibility off the shoulders of the landlord, increased

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his reward and made out of thousands of miserable share-croppers more miserable beggars who may envy the foxes their holes in the earth. In return it has set up no adequate controls for the picking machine which soon will make hundreds of thousands of workers superfluous.

Cotton is a crop that has been overproduced, not, to be sure, in terms of human need but in terms of human capacity to pay, especially in years of depression. Since the Civil War its prices have fluctuated wildly. It was, however, settling down to a starvation level when the AAA was born.

If the AAA had been able to start on the basis of a genuine acceptance of an economy of abundance, it would not have assumed that there was too much cotton. It would have taken notice of the fact that the entire per capita consumption in the United States of finished cotton cloth for apparel and domestic purposes is only a little over nine pounds. That, as I have pointed out on many occasions, is a ridiculously inadequate amount to meet the needs of men, women and children for underclothing, dresses, shirts, overalls, towels, rugs, hangings and what we euphemistically call bed linen and table linen. In general this small use of finished cotton cloth is not due to the ability of Americans to use some better substitute—wool, silk, rayon or linen; it is due to the fact that the children of those who raise cotton and who make it into cloth have no underclothes.

But the AAA did not know how to raise prices for the cotton farmer except by making cotton scarce. This was the way in which merchants and manufacturers had always proceeded. Now the power of the government was put behind the farmers to enable them to copy a time-honored method.

While the AAA, plus the drought, was raising cotton prices and bestowing cash benefits upon cotton farmers, especially the landowners, other things were happening, partly as the result of the cotton restriction program. One of those things, which we have already mentioned, is the immense increase of cotton production outside the United States. This increase would probably have occurred in any case, although at a slower rate, for the prevalent economic nationalism would inevitably have caused all countries which can produce cotton to stimulate its production. Nevertheless, a plan that has raised the price of cotton generally, without discrimination between the foreign and domestic market, has greatly accelerated the process by which we are losing an export market that heretofore has taken 50 per cent or more of our cotton. If we must rapidly reduce cotton production to the level of home demand, and of home demand expressed only in terms of capacity to pay, we shall have to plan for taking care of millions of human beings cut adrift from the poor economic anchorage which they had.

To this situation, Oliver Carlson tells us, must be added a factor to which I have already referred, a factor of revolutionary significance. This is the development of a cotton-picking machine that is not unwieldy to operate nor enormously expensive to produce. It can be attached to a tractor and will add value to a tractor for all-year-round work. The casual laborers, mostly Negroes, drawn from towns and cities at cotton-picking time, will have lost even this poor source of income. The whole system of twenty or thirty-acre holdings, operated by tenants of one sort or another, becomes economically absurd with the advent of successful mechanization.

Today on irrigated lands in New Mexico, California and Arizona some of our best cotton is produced. More would be produced there except for the scarcity of labor at picking time. With the machine to do this job, nothing except the imposition of artificial quotas can prevent an immense reduction of cotton acreage in the old South. On the other hand, the coming of the machine and the elimination of hand labor may make it possible for America to produce cotton profitably again at a price that can compete with foreign cotton. In that way our export markets might be recovered.

Meanwhile, not tomorrow but today, we are faced by a serious and tragic displacement of workers. In any long run it is obviously impossible to reduce cotton acreage by 40 per cent, as the AAA has planned, and at the same time keep on the job the number of families now engaged in cotton cultivation. The highest officials in the Department of Agriculture, however, have seen the danger of the displacement of these families and have tried to do something for them, not anything like as much as they have done for the plantation owners, but something.

To understand the situation fully, we must look at the plantation system and its result in terms of human values. Throughout the vast area where cotton is grown the spirit of slavery persists. The plantation owner is still able to use race prejudice to strengthen his hold over white and colored tenants. About many of the peasant holdings of Europe and even around the mountain cabins of our own South there is often something to suggest the beauty and dignity of life and human relationships. This is completely lacking in the cotton country. The houses of the share-croppers and day laborers, white as well as colored, are shacks and hovels with no more grace or beauty than a packing box and scarcely more comfort or convenience. They stand on patches of dirt in dreary fields. A miserable diet nourishes pellagra, not men.

Centuries of human aspiration and cultural achievement have no meaning for these poor folk in a region with the lowest per capita income in the United States. Racial prejudice requires separate schools and separate churches. Communities that could scarcely afford to maintain one decent school or church are forced to maintain two—more in the case of churches because of denominational differences. The high percentage of illiteracy is easily understandable.

Cotton cultivation is dreary, monotonous and back-breaking. Those who follow it have, however, certain months of idleness, or comparative idleness. Yet they have neither the individual nor the community resources for enriching leisure. Life affords few escapes from drudgery or boredom except highly emotional evangelism, liquor and sex. Crimes of violence abound, the homicide rate is high and the cotton country furnishes a wholly disproportionate share of those lynchings which are our national shame and ignominy.

Behind all this are stern economic facts. The money income from cotton varies from $10 to $60 an acre, of which the plantation owner gets the lion's share. The income from a bale of cotton runs from $25 to $200. Today cotton at 12 cents a pound brings $60 a bale. It takes about a month for a picker to pick enough seed cotton to make a bale. A share-cropper and his family rarely handle more than 20 or 30 acres and, especially in the old South, it is remarkably good land that produces half a bale to an acre.

The average income for cotton tenants in Eastern Arkansas was $260 in 1933; of this total $50 was the estimated rental value of the huts in which the families lived. A church social survey of 112 Negro tenants in Alabama, made during 1931, showed that 50 tenants ended the year in debt to the planter, 20 had a yearly cash income ranging from $1 to $50, 40 between $50 and $100, and only 2 had between $100 and $150.

The eulogists of "white supremacy" may claim that this situation can be true only of the Negro. As a matter of fact, as Dr. Rupert B. Vance tells us, "there are over 1,091,000 white tenants in the South and 698,000 colored tenants." Negro tenants in the South actually decreased by some 2,000 during the decade of the Twenties, while white tenants increased by more than 200,000. Over half the Negro tenants are share-croppers who own nothing, who are "furnished," that is, they are carried through the year by the plantation owner and form the most depressed class of cotton workers except the casual day laborers. One-third of the white tenant farmers fall in the same class; the rest are either cash tenants or what are known as share-renting tenants, some of whom in turn farm out parts of their land to still poorer share-croppers.

There is a familiar argument that the landowner performs a social function because he assumes risks that the cotton tenants either cannot or will not assume. Dr. Vance has recently written: "This argument at present comes with a savor of unconscious irony from large landowners in the South. The truth of the matter is that the government has assumed most of the risks of the landowners and thrown them on the tenant. The risk of overproduction is met by fixed quotas with rent to the landowner for his retired lands. These benefits take little, if any, account of labor's previous interest in the crop. The tenant's share of rental is pitifully small or nil, and on him is thrown the brunt of reduced acreage. The risk of price fluctuation is met by the government's policy of pegging prices by loans at, say, ten or twelve cents per pound on cotton. Through its Intermediate Production Credit Corporations the Farm Credit Administration offers the landowner production credit at 4½ to 6½ per cent interest. The tenant cannot secure this cheap credit unless the landlord waives his first lien on the crop. If he refuses to release the crop lien to the governmental agency, the landlord may then secure the loan for all his tenant farms at 4½ to 6½ per cent and then advance supplies and furnishings to his tenants at customary credit prices, 20 to 30 per cent above cash prices. Here again the tenant bears the brunt of the risk. If he can repay, his surplus is wiped out by extortionate credit charges; if he cannot repay, he loses his crop and whatever chattel and work stock he may possess."

This statement regarding the relative protection of landlord and tenant under the AAA program requires amplification at two points. The first concerns the nature of the protection given to the tenant with regard to occupancy of land under Section 7 of the contract which was supposedly drawn to protect both the share-cropper and the agricultural laborer. At least four clauses in this section give the unscrupulous landlord loopholes enough to get rid of any tenant he does not want because he regards him as either superfluous or as too likely to stand up for his rights. Since heretofore the contracts have been enforced by authorities representing

only the land-owning interest, it will be seen how hollow is the protection afforded the tenant and agricultural laborer under this contract.

It will also be remembered that a rather elaborate plan was worked out for giving to cotton growers a certain parity payment on cotton on hand, grown before 1934. With this payment went a payment to landlords for "rent" of the land on which the cotton was raised. On the basis of the contract provision for the division of this government benefit, the landlord wins against the share-cropper by a ratio of eight to one. The share-croppers, therefore, have called this parity payment a "poverty" payment.

Yet it is only fair to say that the Secretary of Agriculture has recognized the criticism of this parity payment and has promised that new contracts will be better. Here, however, fresh danger arises. Already plantation owners have taken advantage of almost every opportunity to substitute casual day labor for share-cropper labor. The temptation to do this will be increased as the share of the tenants is increased in benefit or parity payments.

The net result of all this is what one might expect. Unknown thousands have been driven from the cotton fields to join the tragic army of the unemployed in towns and cities. The *Dallas News* of Jan. 3, 1935, printed a long quotation from a statement by Dr. A. B. Cox, Director of the University of Texas Bureau of Business Research, the gist of which is that the cotton laborer has been greatly hurt by the policy and that the demand for seasonal workers has been reduced, with the result that a great many of them have been thrown on relief rolls. Professor William R. Amberson of Memphis, a loyal friend of the share-croppers, points out that landlords have succeeded in reducing share-croppers to the status of day laborers who earn 75 cents for a thirteen-hour day and are allowed to exist in plantation shacks.

As an answer to this situation, the Southern Tenant Farmers Union came to being in Eastern Arkansas and Western Tennessee. It is an intelligent and courageous effort on the part of these forgotten men to organize for themselves. Its very existence is more significant than any reform that might be imposed from above. While in addition there should be political protests, it is not generally realized how difficult it is to vote in the South.

In many Southern States, on the plea of maintaining white supremacy, thousands upon thousands of the poorest whites along with Negroes have been disfranchised by poll taxes. It has become the fashion to talk about the "hillbilly" vote which is responsible for Southern statesmanship of the brand of Blease, Bilbo, Heflin or the great Huey Long. Yet Professor Mercer G. Evans writes that of all white persons eligible on the basis of age and citizenship to vote in the 1932 elections, only 24.1 per cent actually exercised the franchise in Alabama, 25.2 per cent in Georgia and 26.7 per cent in Mississippi, as compared with 58 per cent in Wisconsin. Either the masses cannot vote because of the poll tax or they are prevented by their frequent wanderings in search of job or home. Perhaps they have no great faith in voting.

This same analysis applies in principle to the vote taken by the Department of Agriculture on the compulsory reduction of cotton acreage. Those who had suffered most from that program were already out or on the way out of the picture. Those who remained had gained something temporarily by the government's policy

and the dominant plantation interests had gained a great deal.

It is this fact that gives such significance to the efforts to organize both white and colored workers in a union with an intelligent program. Of course the growth of the union has aroused bitter opposition. This has been expressed in Arkansas by the eviction of tenants for no crime except belonging to the union, the breaking up of meetings and other acts of intimidation. Organizers have frequently been arrested, and one arrest, that of Ward Rodgers, may become a *cause célèbre*.

Ward Rodgers, originally a young Methodist preacher, more recently a teacher in the FERA workers classes and a volunteer organizer for the Tenant Farmers Union, was sentenced to six months in jail and a $500 fine for "anarchy"—a charge based on a speech made to a mass meeting of share-croppers. Fortunately the fact that the union pursued wise and restrained tactics, while the government sent into the territory an able investigator who was genuinely anxious to find the truth, prevented lynching or violence. Meanwhile, the government has held up rental and benefit payments to a few landlords who have been particularly outrageous in evicting tenants belonging to the union. All in all the share-croppers find hope in the situation and are joining the union by the hundred.

Still, the problem of the share-cropper does not permit of any easy solution. Professor Amberson recommends that the Department of Agriculture should itself create a national agricultural labor board charged with direct responsibility for the protection of share-croppers and agricultural laborers. He adds that labor clauses of new contracts must have the full force of law; that the right of agricultural laborers to organize and bargain collectively should be proclaimed; that the labor of children under 14 years of age should be forbidden by national statute. There are many children who begin to pick cotton at the age of 5, to chop or hoe cotton at 10, for as little as 3 cents an hour. The union asks 20 cents an hour for day laborers.

All these things would help, but, as Professor Amberson points out, "ultimately the plantation system must be liquidated." He is in hearty agreement with Dr. J. H. Dillard when he declares that there can be no decent civilization until the whole tenant system is abolished. But a substitute for the plantation system is another matter. Dr. Vance seems to favor a system of peasant proprietorship in which a great many of the peasant holdings will have to be turned from cotton to diversified farming. But at this stage of our economic and social evolution it is doubtful whether an economy of abundance can be realized on the basis of any sort of subsidized peasant proprietorship.

The cultivation of cotton, especially with the advent of machinery, will probably require large farms for successful operation. The ultimate title to those farms should be in society. Security of tenure should be given to those who live and work on the farms and they should be organized and trained in cooperatives. All of which is, of course, easier said than done. Indeed, any realistic approach to the problem of the cotton farmer makes one realize afresh how difficult is all piecemeal planning. A probable solution of this problem involves a great increase in consumption of cotton, and that in turn requires a degree of planning for the social good wholly incompatible with the present system, which the [illegible] meant to maintain and not to end.

Slave Markets of Today

By IGNATIUS PHAYRE

WHEN Sir Boulton Eyres Monsell, the first Lord of the Admiralty, recently remarked that the British Navy is a factor in checking "a loathsome trade," he was referring to the stealing, transporting and selling of human chattel slaves that still go on. "Today," he added, "we maintain only fourteen sloops with slave-trade instructions. Of course, we are ready to dispatch extra vessels when these are called for. A rumor reached us that some of our sloops were too slow for effective chase, so that slave-laden dhows had time to tie big stones to the legs of their human cargo and throw them overboard. When we heard that, we ordered our fastest destroyers to patrol the Red Sea so as to make such things impossible." From reports of naval units on watch he concluded that "the day is past when any large shipment of slaves can be made." But the stark facts make this assurance sound more like a pious hope.

The writer of this article has stood with the British Consul at Mogador in the glaring mud-walled Sok el-Abid of Marrakesh in Morocco and with his own eyes seen men, women and children—both black and white (Moors)—auctioned off like cattle in pre-French days. That was a vivid scene, oddly unreal and with the fateful quality of a Greek drama. It opened with prayer for bidders and "stock" alike, chanted by seven dilals or salesmen. Mounted on a stage above the throng and swaying joined hands these men called down blessings on the day's deals—"in the name of God, the most Merciful and Compassionate!"

Outside in the vine-roofed lane the horses and camels of merchants and nobles stood fretting, with attendant grooms polishing silver trappings or driving away the flies with long whisks. Inside the wide market stood or squatted hundreds of gayly dressed men. Many of these were tribal Kaids of the Great Atlas, well-armed and bearded patriarchs like those of Gustave Doré in his Bible pictures. Others drew apart under the shade of red walls to read the Koran. These glanced up as a dilal pranced by, clutching with one arm a hefty young Negro and with the other a graceful and lovely Moorish girl: "Great is God * * * O my lords, behold the Strength and the Beauty of the Desert!"

A grave watcher now beckons backward in the curious way of El Moghreb. Our salesman darts over to him, wild-eyed and expectant. With bowed head the girl kneels in acute distress because of her uncovered face. My lord examines her gently; he may do so in private if he pleases. Three hundred dollars is the bid. Away speeds the auctioneer, dragging his helpless couple and yelling the price: "Any advance on that for my pearl?" At rough tables in the centre sit languid scribes to receive the money and write out deeds of life and death and labor.

That market no longer exists, but there are plenty of others left. Slaves are today sold in fifteen different countries—several of them members

of the League of Nations! This may shock those who imagined the "villainous traffic," as Pitt called it, was now a historic memory. Yet the demand for helot labor—domestic, agrarian or industrial—is in many lands as brisk today as it has been at any time in the past, for there is still money to be made in the traffic.

The Republic of Liberia is an original member of the League. Yet all the world knows how an international commission convicted its government of rounding up "black ivory" by its frontier force and selling serfs in Fernando Po and to the Portuguese cocoa plantations of Sao Thomé and Principe. This became a State routine, a source of revenue entailing merciless raids on the heathen and Moslem clans, with killing and burning, looting, torture, flogging and long treks with the human prey thus seized on the pretext of unpaid "taxes."

In the Empire of Abyssinia, another member of the League, slavery and serfdom are deeply rooted. This country, with an area of 350,000 square miles, has at least 2,000,000 slaves. Its ruler is a "modern" and enlightened man—the "King of Kings of Ethiopia, the Conquering Lion of Judah and the Elect of God." For all that, Haile Selassie's domain is full of feudal lords and chieftains whose raids exceed those in General Gordon's day in the Sudan. Rifle and spear men a thousand strong take part. They swoop on a village in the dark, blowing shrill horns, yelling and shooting to induce a panic. Then huts are set ablaze, and in the stampede old folks are slain. Young men, women and children are rounded up to be chained and yoked in caravans for the long trail.

Sir Arnold Hodson and Lord Allenby have described these orgies of fire and blood and terror. The sick and exhausted are left to die where they fall, or to be devoured by wild beasts. In Abyssinia such forays between one petty kingdom or sultanate and another are on a great scale. As many as 8,000 human beings have been taken at one time for the "domestic" markets.

Much more serious politically are the organized Ethiopian man-hunts in British territory. Nearly 200 have occurred in the past few years. Cattle are driven off, ivory, as well as human beings, is stolen. In the British Parliament Lord Hailsham described an onslaught of 600 Abyssinians upon the Beir tribe in the Upper Nile Province of the Sudan. Here the older men were as usual speared or shot, and twenty-seven women and fifty children carried off.

Similar raids have been made in Kenya and Somaliland. The Emperor's edicts tend to make these crimes more furtive in the hot, unhealthy lowlands of Abyssinia itself, where slave-recruiting among the Negro villages is a regular event. The King of Kings does all he can to block it. In Addis Ababa he has set up an anti-slavery department, with Liquamaqwas Mangesha, his former Minister in Rome, as its head, and M. de Halpert, the European adviser to the Ethiopian Home Office, as counselor. A committee presided over by Prince Asfao Wasan, the heir-apparent, was also formed to combat the traditional slave system.

Ras Heilu and Sultan Aba Jifar set their own slaves free in thousands. Some were settled on the land they had worked for their masters, but how to provide for the rest remains a problem not alone in Abyssinia but in other lands where manumission in recent years has occurred. Thus, in 1924 the Maharajah of Nepal liberated 58,-

000 slaves because "the enlightened opinion of the world is now pressing on us with all its moral force." In Sierra Leone 214,000 more were set free. Burma and Baluchistan followed suit, and in Tanganyika 185,000 helots were released under the British mandate.

Slave labor, nevertheless, is still eagerly sought, whether in the form of absolute property as in Arabia, or in the guise of serfdom, peonage and forced labor. This last is widespread in South America and the Portuguese colonies. The "Mut-tsai" system of China has been discussed in the British Parliament, with special reference to its persistence in Hongkong. But in China, where human life is cheap, the buying and selling of slaves have never ceased. Today there are millions of them even in the more "advanced" provinces; one may guess what conditions exist in the lawless regions beyond the control of Nanking.

Yet Africa remains the great emporium of "The Trade." No English newspapers have as yet investigated the slave systems of today, though the Paris *Matin* has published a series of articles. It began with a description of the man-hunts in Abyssinia among lowly tribes of the West on the Sudan borders, who provide human cattle for Addis Ababa and other local markets.

In that empire slaves can be got by "negotiation" as well as by violent means. Arab dealers from the Hejaz, Asir or the Yemen prowl at large with plenty of money. "When a village is too poor," one of them told the *Matin* reporter, "or if its chief is unwilling to pay his taxes, we are approached as brokers. We settle any overdue taxes, and are then repaid in slave levies. These we deposit for safety in one of the high rock villages of the Aragouba Gallas—a warrior race who neither buy nor sell, but only guard our stock if we pay them."

The white men were taken to see a slave haul. Through narrow alleys the investigators passed blind walls, then into mud courts, where armed guards stood on watch over mysterious cellars. One of them "raised the planks and we peered down. Here we saw four sleeping women. Three more lay in another dungeon, four men in a third. Not one of them stirred an eyelid; they must have been half dead."

"We start tonight," the Arab told his French visitors. "Business is not easy now, what with imperial prohibition and tribute to be paid to the road. We only travel by night; it is safer that way."

The Frenchmen also saw a kidnapper at work in a valley jungle at dawn. "Selim, the hunter, lay flat in long grass. Afar off we saw women and children driving cattle and goats to a hamlet of the hills. As it grew light we heard sheep bells. A little girl followed the flock. With the supple spring of a panther Selim pounced on her. Not a cry could she give, smothered and gagged as she was by the throw of his canvas sheet. With a helpless bundle over his shoulder Selim loped down the path."

One of the Frenchmen haggled for the child's liberty with the robber's master. "A pretty little one, plump and well made," the Arab dealer mused. "If she lives to reach the Narrow Sea, I'll get $200 for her there; her buyer will ask $400 in Mecca." "The risks are many," the reporter hinted. "Let us say $125 cash down?" Said, the assembler of slaves, sighed that God was indeed Great! And he closed with the *Matin* man's offer. The stolen girl was sent back to her village. "But where is Selim now?" "Collecting others for the long road. This time he'll get me a young boy."

Said herded his captives on Italy's Somali coast. The French journalists followed him to an island where the convoy was to be sold. For safety the dealer bought Ethiopian passports for the cattle packed in his fast-sailing sambouk. They now figure as Moslem pilgrims to the Holy City! This is the infamous commerce which European warships try to break up.

The British Navy's watch involves endless strain in the hottest waters on earth. Four sloops patrol the Persian Gulf to stop slave and gun running. Slaves often escape from the mainland to the pearling islands of Bahrein. Here Sheikh Hamed bin Isa declares them free, and even enlists them in his State police. Another warship station is Muscat, whose young Sultan's rule extends far down the great Arabian peninsula. But the main route for black ivory cargoes is still across the Red Sea, which narrows to 185 miles between Suakin and Jidda, the port of Mecca. Here lie in wait special craft like the British sloops Penzance and Hastings; these are of 1,025 tons and 16 knots' speed, mounting two 4-inch guns. The British vessels are aided by Italian gunboats, like the Azio and Arimondo. French sloops of the Ypres class join in pursuit. Yet they are far from effective.

Forty nations signed the League's Slavery Convention, but its machinery was feeble and slack. Sir Austen Chamberlain sought to make slave-running an act of piracy, in which case its perpetrators could be hanged or drowned, and their property confiscated. Lord Cecil and Sir John Simon also tried to tighten the provisions. But indifference persisted in some quarters, and as a result complete abolition seems as far off as ever.

"We do catch the slave-dhows now and then," a naval officer at Aden remarked to me. "But they are very fast—up to 15 knots. They have their own spy system, too, and lots of hiding places in shallow reefs where we can't follow them. For one boat we capture, perhaps a dozen make the Arabian shore and deliver their living goods to the two main markets of Mecca and Taif. It is a very rich trade, and every link in it is made as secure as possible.

"Our most pressing need," my informant went on, "is a force of high-speed, light-draught motor boats, well armed and seaworthy, based upon Perim and able to chase the slavers anywhere. There is much transshipping of this live stock from the big dhows into handier sambouks, especially by the Black Eysah tribe at the extreme southwest hinterland of the Red Sea. These are also first-hand raiders. They employ fleets in this traffic across the narrow Straits of Bab-el-Mandeb, and their chief loading ports are Obock and Tajourah. Each nakhonda, or skipper. is a daring seaman. He sails in the dark without any lights. He scuds close inshore, to thread his way through rocky shallows where no other craft could live. It's so often a hopeless chase for us!"

No wonder, then, that the trade is large, and is even increasing as economic conditions in Arabia improve. A former officer of the British preventive service reckoned that as many as 5,000 men, women and children were carried across each year, many of them from Britain's own territories. Little do well-fed passengers on luxury liners in the Red Sea suspect the scenes which are often witnessed by slow cargo ships.

One of these sighted at dawn a queer craft; she had a big lateen sail and a high-sheered poop, with a square stern much painted and carved. The captain ordered his ship close "just to see what she's up to." She was a

slaver, "*packed from end to end of her open waist with stalwart Negroes seated on benches and evidently* fastened by their ankles to the bottom. About twelve or fourteen were stowed abreast in twenty rows. That meant some 200 to 300 poor wretches in one vessel." In this case the English captain could do little but give out by wireless the position of the slaver in the hope that one of the three nations' warships would arrest her. But her main halliards were soon repaired. The great sail was hoisted and filled, "and off she went for the Arabian shore."

Slaves who survive to reach public and private auctions in the realm of the warrior King, Abdul Aziz ibn Saud, are not badly treated. Pious Moslems are kind to them. Often they are treated as members of the family. The mild system of Arabian slavery is indeed unlike any other. Water carriers, doorkeepers, personal attendants, in fact a large part of the Holy City's population, are chattel slaves.

Slave mating and breeding is common. Theological students who live for years in the Holy City marry women who are owned by the Arabs. But all offspring of such unions belong by the Sharia, or religious law, to the woman's owner. Meanwhile new supplies are being constantly landed in a vast domain nearly one-third the size of Europe. Ibn Saud by the *Treaty of Jidda (1927) has undertaken to cooperate with Great Britain* to suppress the slave-trade, but like Haile Selassie of Abyssinia, he is not a free agent in the matter. There is Islam's warrant to 300,000,000 of the faithful that they may own slaves if they so desire, and can elude the opposition.

Mecca is their holiest centre. Its citizens call themselves the "Neighbors of God"; and in the Sok-el-Abid of that famous town you will today find the shops of traders in human beings. Outside the tall houses of that narrow street are stone benches, the display counters on which sit men and women and children exposed for sale. The more desirable (and expensive) girls are kept inside the warehouses; and wealthy buyers are taken in to view them and haggle over the price, which sometimes runs as high as $750.

Nothing can end this iniquity, or its less flagrant forms of serfdom, peonage and forced labor, but the remedy prescribed by Lady Simon, wife of the British Foreign Minister and a leader in the movement to suppress the traffic. "There is but one weapon to hand," she declares. "That is public opinion—at once the weakest and strongest weapon in the cause of human progress; weak, when dormant, but invincible when once roused to the pitch of zealous indignation."

Monte Carlo Twilight

By FERDINAND TUOHY*

To say that the future of Monte Carlo appears gravely compromised is to put it mildly. Rather may one ask, Has Monte Carlo any future? When we speak of Monte Carlo we are of course referring to the Society of Sea Baths, otherwise "the Rooms," the Gaming Concession, the world-famed Casino.

Of late the truth has been seeping out that the whole Riviera is in varying stages of bankruptcy and that of all its famous resorts—Nice, Cannes, Mentone and the rest—Monte Carlo is the worst hit. So it looks as if something organic were wrong with Monte Carlo, something more than slumps and scares and chronic absence of confidence in the future.

Three years ago shares in the Society of Sea Baths were worth $360; today they are listed at $80. At the summit of the post-war boom in 1926-1927, there was a net profit of just under $5,000,000 from the gambling rooms after all expenses had been met. Its like had never been known before, for that too was Monte Carlo's peak year. It was even said locally that the Casino administration was grossly understating its profits lest prospective gamblers be frightened away, and that gains in reality rose to $20,000,000! At any rate, in that memorable year, $2,600,000 was paid in dividends at 175 per cent to a handful of stockholders, chiefly members of the French nobility and Paris politicians and big business men. The society's shares, worth $25 originally, came to be quoted on the Paris Bourse at $600 each.

The latest balance sheet to hand, that for 1933-34, left $1,045,000 "for disposal" after all charges had been met, but only the most rigorous economizing and pruning permitted such a result. A meager dividend of 72 francs, or less than $5 a share, was paid. But no dividend at all, it is anticipated, will be declared when the next annual meeting takes place. Close observers assert that far from having any profits to dispose of in the last two years, the concession has been operated at a loss for the first time in its history.

Actually, there is no need to wait for the carefully edited statements of annual meetings to see what is happening at Monte Carlo. One has only to list the succession of lures that the Casino authorities have put out to attract customers. Then one appreciates how desperately the concessionaires are trying to keep up appearances.

Time was—until quite recently—when to obtain admission even into the plebeian and "popular" so-called Kitchen—the rooms that face you on ascending the main steps leading from the Gardens—was quite a business. You had to have your passport. You had to fill out identification forms for a permit of entry. There was a charge of ten francs. And you knew that you were being scrutinized by detectives

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who compared your features with indexed photographs of people on the blacklist. They only stopped short of taking your fingerprints, it used to be said!

Certain categories found themselves rigidly excluded. But since the slump nearly every one is admitted. No passports are required and there is no entry charge. As for stakes at the roulette tables and at trente-et-quarante, the minimum has been reduced from ten to five francs, and there is a rumor that a further reduction to one franc is contemplated.

Those who can recall the gold-laden tables of the pre-war days, or even the paper money and counters of the Twenties, will recognize what a come-down a one-franc stake would signify. At the other end of the scale, the maximum stake has been spectacularly raised to 100,000 francs in order to surpass neighboring San Remo in Italy, where the highest staking in Europe has been allowed in recent years.

As part of the campaign to lure gamblers back to the empty and deserted tables more favorable odds have been offered them. The 5 per cent commission on all moneys staked has been abolished after having at first been halved. In boom times this deduction meant millions of francs in added profits for the Casino. And now zero in roulette and the *refait* (drawn game) at trente-et-quarante are no longer to count. Formerly they had given the bank a further 3 per cent of all stakes put on the green baize throughout the day.

Baccarat is also to be "free," that is, shorn of its particular deductions. And in the new Sporting Club the Cuban game of dice, "Hazard," has had to be introduced. Solemnly, a croupier rolls three dice, and there is a 180-to-1 chance. Shades of Grand Dukes "breaking the bank"! But the gem of the whole luring business has yet to come.

Why not, pondered the Administrator General, René Léon, bring real gold to the tables again? That should attract "the big pockets." Glittering, gleaming gold again after, it seemed, all eternity! Presto! A few months back the thing was done. M. Léon journeyed to Paris and London and bought all the American gold dollars he could lay hands on. He also made arrangements to mint gold pieces of 100, 500 and 1,000 francs. The last would have been a sort of golden cartwheel had the minting ever taken place. But the Bank of France objected, and the idea was dropped.

The gold dollars, however, duly made their appearance on the tables. It was even announced that $625,000 was reposing in the Casino vaults below, in five, ten and twenty dollar pieces. Alas, this brilliant play for popularity failed. Not only did the word get about that the gold had to be changed back for counters on leaving "the Rooms"—the counters being in turn convertible into paper money—but the distressing fact slipped out that not a soul was mesmerized by the reappearance of the precious metal.

Perhaps nowhere do the desperate straits to which Monte Carlo is reduced find more eloquent expression than in the new liberalism toward visitors' attire. Monte Carlo had long been notorious for its strict formality in matters sartorial. Even flannel trousers were at one time barred, along with any item of attire considered odd or "arty." As for venturing into the plebeian roulette rooms, much less the gilded Sporting Club, in anything other than evening dress at night—unthinkable!

Now you may enter the sacrosanct portals in almost anything. For a

while even pajamas and bath-towel costuming were tolerated; as for tuxedos, no compulsion whatever endures. No more astonishing change came to Monte Carlo than the appearance of honey-hued beauties, all bare back and bare thigh, and their accompanying gallants only slightly less prodigal in the matter of bronzed self-exposure. A special gaming preserve has since been established at Monte Carlo Beach for this exotic cosmopolitan clientèle, where it can emerge from the Mediterranean and try its luck on tables flanking an artificial sand strip. But does this attenuated company stake high? Seemingly it does not. Most of the time it just slips on a few francs for the fun of it.

Thus total annual profits fall away, and directors, at their wits' end, are impelled to sanction such unbelievable accommodations as penny fruit-machines within the exalted precincts, the holy of holies, "the Rooms." And there are strenuously denied rumors that lovely ladies are employed as decoys at the tables; that titled celebrities are given free sojourns in return for standing about the place. What is the explanation of it all?

Consider for a moment the report for 1926-27. Receipts were nearly $7,500,000 from roulette, trente-et-quarante and chemin-de-fer (baccarat profits not included); $450,000 from entrance tickets; and a further $100,000 from the tobacco monopoly. Expenses were $3,100,000, including $100,000 paid to the Prince of Monaco for the concession and $400,000 to the French Government for the right of quotation of the company's shares on the Paris Bourse. Net profit, all sources, not quite $5,000,000.

That was a report to rejoice shareholders' hearts. How the ledger has sagged since then! For 1927-28 net profits had fallen $375,000, not a great deal, but Wall Street had not yet crumpled. During 1928-29 gains dropped for the first time rather alarmingly—to $2,775,000, and in 1931-32 still more steeply to $1,610,000. For the first time since the Blanc twins founded "the Rooms" in 1866, no dividend was paid, the reason given being the exceptional expenditure incurred in modernizing the resort.

The year 1932-33 showed a still more dismal picture, with profits at a mere $720,000. For 1933-34, however, there was a gain of some $300,000 over the low figure; yet that does not imply that there was an increase of gambling! The resort's improvements having been nearly paid for, it was not necessary to earmark so much money for them and thus profits appeared to increase.

These improvements have been real. The artificial beach with its attendant country club is alone said to have accounted for $2,500,000. Untold tons of sand had to be brought to the unkempt, pebbly beach. A fortune was likewise spent on extending the municipal sewers out to sea—something most necessary when tides are nonexistent. Nobody knows what the massive white Sporting Club cost; its interior is today an affront, recalling an era of riotous extravagance. Possibly 200 or 300 supers would be required in these vast empty halls to dispel the all-encompassing chill.

Additional millions were spent on the construction of a sweeping sea boulevard embellishing the Casino frontage. New superhotels were built, and golf links, and unending tennis courts; and gala nights and opera were staged regardless of expense. The most expensive troupes of "Les Girls" (American) were enrolled as a permanent feature—though they are not allowed to begin their act until

nearly 2 A. M. "I must get visitors to gamble first," M. Léon explains. Yet all this dizzy expenditure, undertaken to meet the challenge of ultramodern French and Italian resorts, has availed Monte Carlo very little.

The reason for Monte Carlo's relentless decline most often heard hinges on the recent legalizing of roulette and chemin-de-fer in French casinos. Monte Carlo long had the monopoly of these and it is claimed that the new competitive state of affairs, introduced in order to save French gaming places from bankruptcy, has hit Monte Carlo in the vitals. That is why M. Léon acquired that enormous white elephant which Frank J. Gould built at Nice—the Palais de la Mediterranée—to squelch potential competition so near at hand.

Yet close observers deny that the newly licensed gambling in France has really hit Monte Carlo. They point out that roulette and chemin-de-fer in French casinos have proved a complete fiasco. There are more convincing reasons for Monte Carlo's present plight.

To begin with, that special money-flinging world on which an institution such as "the Rooms" could hope to thrive no longer exists. Gone are the prodigal Russian Grand Dukes and the spendthrifts from Central Europe. None of them can compete with the overvalued franc to which Monaco has to adhere by treaty. Again, Mussolini forbids his Italians to go further west than San Remo's gambling tables, while Hitler allows no traveling German to have more than 200 marks a month to spend. South Americans, who were great gamblers, are also in financial straits.

Lavish citizens of the United States—who, incidentally, were never major gamblers even when the dollar was worth thirty and forty francs—are almost as rare in Europe now as salmon in the Sahara. Even the British, always the backbone of Monte Carlo, have had to leave owing to the depreciation of the pound. Spain has no money, and neither have the Balkans, while Scandinavia is on sterling. The rich French were never great punters; when they gamble now they naturally select their own casinos.

The world depression, of course, has hit Monte Carlo, hit it perhaps mortally, since most of the enormous private fortunes of the nineteenth century, upon which "the Rooms" grew rich, are things of the past. And that brings us to the last reason for Monte Carlo's steady eclipse.

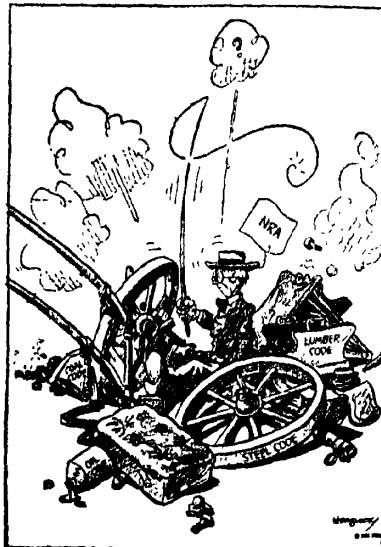
There is evidence and to spare of a change in the fashionable attitude toward gambling in stuffy casinos. The rising generation—even if it could afford to do so and up to a point many people could—shows scant inclination to follow in parental footsteps and sit round the green baize. In other words, casino gambling is falling out of fashion. This is not to say that gambling itself is becoming a thing of the past, but the goddess of chance is wooed in places other than "Kitchens."

The fading out of casino gaming as a fashionable distraction represents Monte Carlo's gravest misfortune. With the exception of the four war years Monte Carlo reveled in golden success for more than sixty years. Now there is complete stagnation. The truth seems to be that if the old Monte Carlo is finished forever, it is as a victim of a change in the public taste and of a permanent shortage of money to throw away.

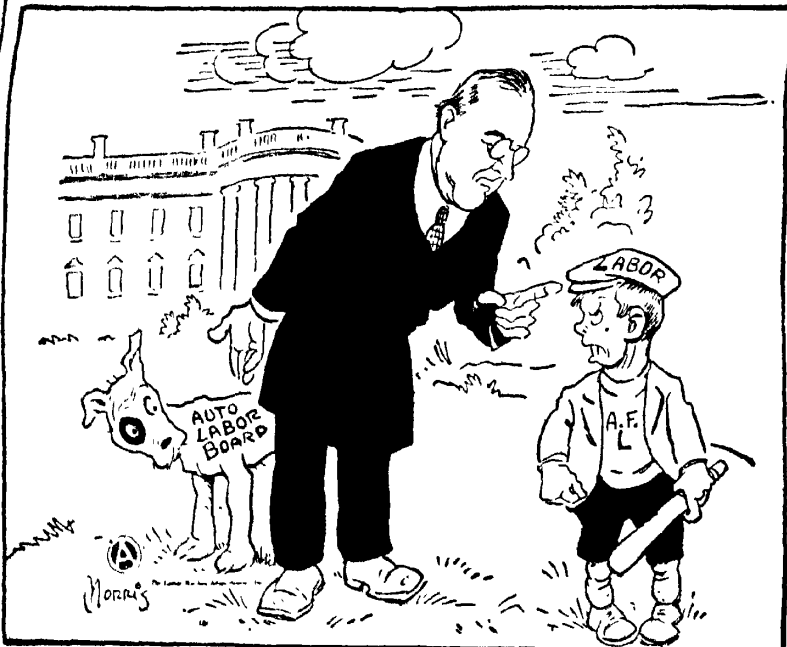
Current History in Cartoons

He's tasted blood
—New Haven Evening Register

Dirty work at the crossroads
—Boston Evening Transcript

"That ticket's no good here!"
—The New York Times

The wonderful one-hoss shay
—News and Observer, Raleigh

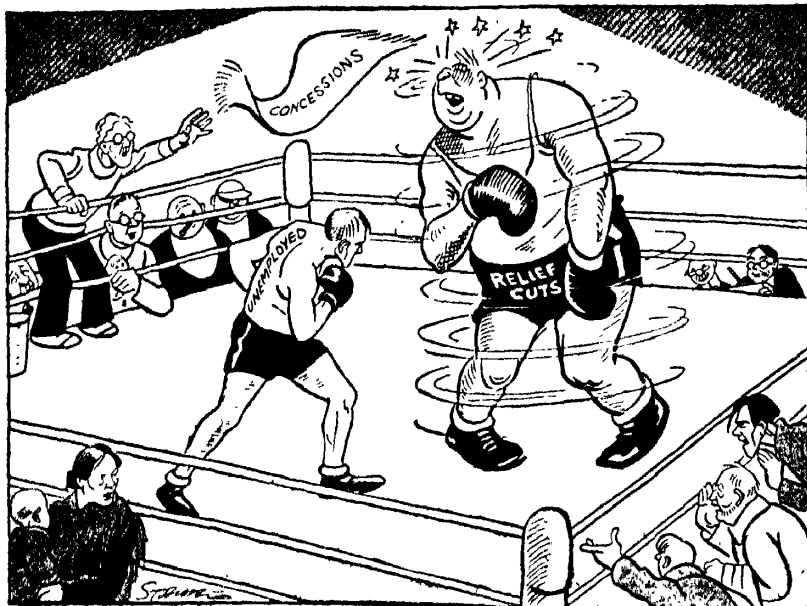
Stormy weather
—*Rochester Times-Union*

The golden apple
—*San Francisco Chronicle*

"Listen sonny, quit kicking my dog around"
—*Chattanooga Times*

"So I'm a clown, hey?"
—*Philadelphia Inquirer*

Old man of the sea
—*St. Louis Post-Dispatch*

Creampuffs or meat?
—*St. Louis Star-Times*

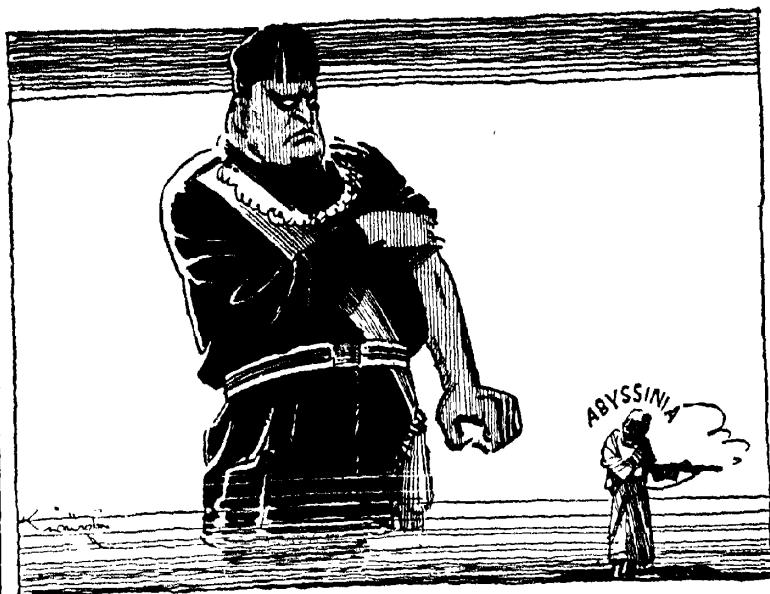
More plowing under
—*Pittsburgh Press*

Manager MacDonald throws in the towel

—Daily Express, London

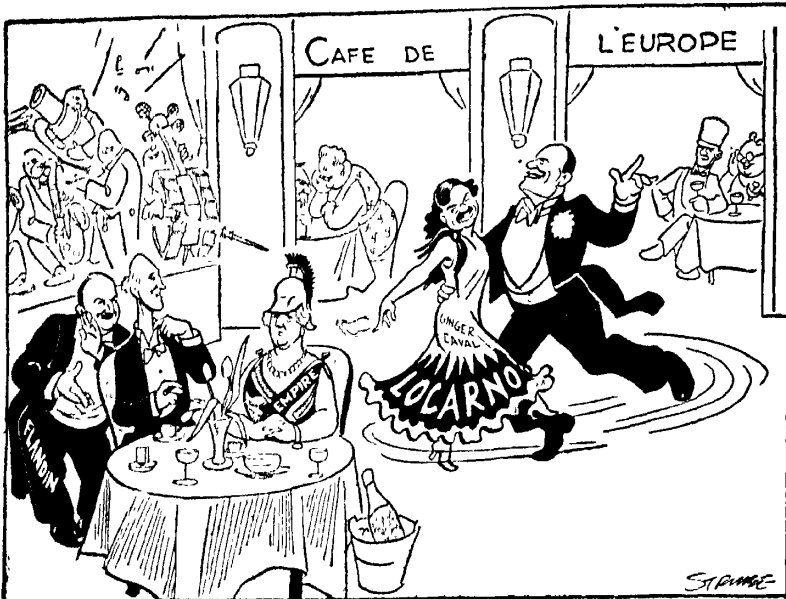
Is London Bridge falling down?

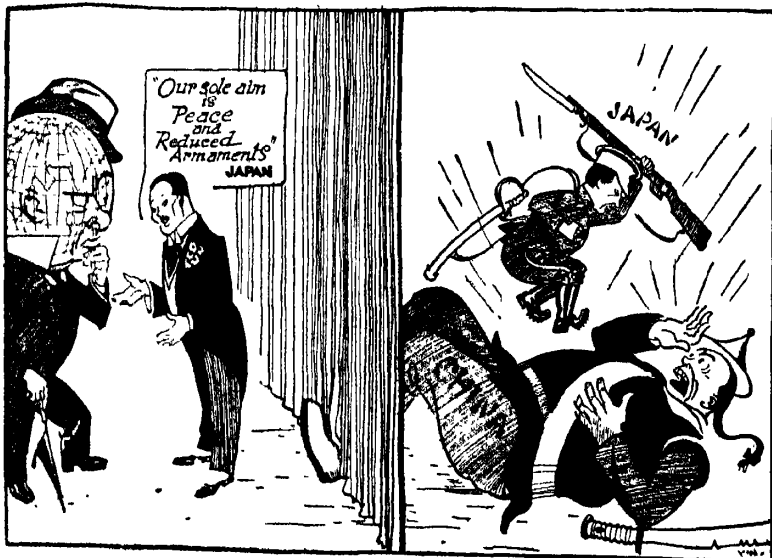
—The Sun, Baltimore

Something to sneeze about

—Emporia Daily Gazette

Shadow over Africa
—Glasgow Evening Times

The white man resumes his burden
—New York World-Telegram

European vaudeville: The egg dance
—Kladderadatsch, Berlin

Sir John Simon would love to dance, but - -

—*Daily Express,* London

Before the Japanese curtain—and behind

—*Glasgow Bulletin*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

Feb. 15—Germany replies to Anglo-French proposals (59).

Feb. 20—Soviet Union endorses Anglo-French proposals to Germany.

Feb. 21—Chancellor Schuschnigg visits Paris (90).

Feb. 23—Paraguay quits League (63).

Feb. 24—Arms Traffic Committee of Disarmament Conference meets (61).

Feb. 26—Argentina bars coercion by League against Paraguay (63).

Mar. 5—Anglo-German conversations postponed (61).

The United States

Feb. 11—Secretary Morgenthau promises a dollar steady in world markets.

Feb. 12—Dirigible Macon wrecked off Pacific Coast.

A. F. of L. demands "prevailing wage" in Relief Bill.

Feb. 15—General Robert E. Wood named adviser on allocation of relief funds.

Feb. 18—Supreme Court upholds government on gold-clause cases (68).

Feb. 20—Roosevelt asks two-year extension of NRA (65).

Feb. 21—Senate defeats administration over Relief Bill amendment (67).

Feb. 22—Alabama court holds sale of TVA power illegal (70).

Feb. 27—Federal District Court of Delaware voids Section 7a when applied to companies not in interstate commerce (70).

Kentucky court rules against government regulation of wages in bituminous coal industry.

Feb. 28—Senate votes NRA inquiry.

Mar. 4—Second anniversary of Roosevelt administration.

President Roosevelt asks Congress to end ocean mail contracts (66).

Mar. 5—Former Justice Holmes dies.

Mar. 8—Lundeen Security Bill reported in House.

Senate passes Army Appropriation Bill.

Latin America

Feb. 2—Brazilian trade treaty signed at Washington (76).

Feb. 7—Abortive revolt in Argentina (75).

Feb. 10—Bank-purchase plebiscite in Haiti (78).

Feb. 12—Mexico bars religious literature from the mails (78).

Feb. 18—Decisive Chaco battle begins at Villa Montes (77).

Feb. 26—Cabinet shake-up in Cuba (77).

Mar. 9—Dictatorship established in Cuba (78).

The British Empire

Feb. 6—Citizenship Bill passes report stage in Irish Free State Senate (82).

Feb. 7—First failure in British pepper pool (80).

Indian Legislative Assembly votes against proposed Constitution (81).

Feb. 11—Government of India Bill passes second reading in House of Commons (81).

Feb. 14—Labor motion of censure fails in House of Commons (79).

Feb. 15—Neville Chamberlain denies imminent British general election (80).

Unemployment Assistance (Temporary Provisions) Bill receives royal assent (80).

Feb. 18—Commission for British arms inquiry appointed (62).

Feb. 22—President of Burmese Legislative Council ousted (82).

Mar. 3—Great Britain announces increased defense budgets (81).

France and Belgium

Feb. 10—National Labor Commission established in Belgium (84).

Feb. 26—Riots occur in Algeria (84).

Feb. 27—Trade agreement between Belgium and the United States signed (85).

Mar. 1—French Deputies support Premier's policy toward Peasants' Front (84).

Germany and Austria

Feb 11-12 Austrian Socialists mark first anniversary of civil war (89).

Feb. 12 Students demonstrate in Berlin for return of Memel territory (101).

Feb. 18 Nazis execute two women for selling military secrets.

Feb. 21 Forced loan for unemployment ordered by Hitler.

Feb. 26 German Government assumes control of mining affairs.

Mar. 1 Formal return of the Saar territory to Germany (86).

Italo-Abyssinian Conflict

Feb. 11 Mobilization of 35,000 Italian troops announced.

Feb. 12 Italy demands indemnity and apology from Abyssinia (91).

Feb. 20 Italian Defense Council says Italy is prepared for war.

Feb 21—Abyssinia avows peaceful intentions toward Italy

Mar. 5—Italy and Abyssinia agree on neutral zone

Eastern Europe

Feb. 20—Yugoslav Regent asks end of disorders in the country.

Mar. 1—Revolution breaks out in Greece (95).

Mar. 5—Hungarian Parliament dissolved by Regent (99).

Northern Europe

Jan. 28—Finnish Diet dissolved after language-question impasse (100).

Feb. 1—Liquor traffic becomes legal in Iceland.

Feb 14—Nazi leaders arrested in Sweden (102).

The Near and Middle East

Feb. 8—Turkish general elections (106).

Feb 14—Ex-King Ali of the Hejaz dies at Baghdad (108).

Feb. 24—Resignation of Cabinet of Ali Jewdet Beg in Iraq.

Mar. 1—Opening of Fifth Grand National Assembly in Turkey (106).

Mustafa Kemal Ataturk re-elected President of Turkey (107).

The Far East

Feb. 27—Japanese Foreign Office spokesman denies Japan seeks to isolate China.

Mar. 2—King of Siam abdicates (111).

Europe's Diplomatic Deadlock

By ALLAN NEVINS
Professor of American History, Columbia University

A HIGHLY realistic game is being played by the European Chancelleries. On one side are the nations that wish to see binding agreements signed, all cards on the table, the future safeguarded. These are the nations—France, Great Britain, Italy, the Soviet Union—that can gain by keeping the status quo and lose by violent disturbances. Opposite them stands the one European power that is anxious to conceal some of its aims, to keep a few cards up its sleeve. This is Germany, which detests the status quo, and, having struggled for fifteen years to break down the Versailles treaty, refuses to be banned against future action. The dominant group would like to see all Europe acquiescing in a set of hard-and-fast engagements covering all contingencies on all fronts. Germany, having labored desperately to gain a certain power of initiative, now clearly intends to retain it.

Hence the deadlock that still grips Europe. The latest Anglo-French proposals for breaking that deadlock have as yet proved utterly futile. As they appear to the British. French

and Russians, these proposals constitute an effort to bring Germany back into the European system and bind her to a peaceful course. As they appear to Hitler and his associates they are rather an attempt to bring her back into the "bondage" of Versailles and bind her to helplessness. Peace-loving Europeans are alarmed by the portent of a heavily armed Germany outside the League, permanently hostile to the League's objects, and relying on brute force and political manoeuvring to gain her ends. They offer her a "general settlement freely negotiated" by which she may exchange her signature to an arms convention and certain regional compacts, with a return to the League, for military equality. And at once the Nazi leaders draw back lest they be tied to all their old boundaries, their old disabilities, their old inferiority.

It seems incredible that the British and French ever thought Germany would take their plan of Feb. 3 and sign on the dotted line. We stated last month that the Reich might accept the proposal for mutual guarantees against sudden air attacks, but that it would assuredly be loath to assent to the "Eastern Locarno" or a guarantee of Austrian independence. That prediction was borne out by the formal German reply on Feb. 15.

This reply, handed by Foreign Minister von Neurath to the British and French Ambassadors, was short and couched in general terms. It was thoroughly cautious in tone. Even the approval of the air compact was accompanied by reservations. Von Neurath wrote that his government "welcomes the proposal to increase security against sudden air attacks by a convention," but would have to clarify some preliminary questions of principle before negotiating a final agreement. The other proposals were treated in a few chilly words. The Reich promised to submit the whole complex of European questions raised in the Anglo-French note to an "exhaustive examination." It promised to conduct this examination with an eye to the general peace of Europe as well as the security of Germany in her "peculiarly exposed position." It promised to give special attention to the best means of preventing an armaments race, now threatened "through the failure of the highly armed powers to carry out the disarmament provided by the treaty." But beyond these noncommittal statements Germany would not go.

In fact, the German reply was clearly an attempt to effect two objects. One was to detach the air convention from the remainder of the Anglo-French proposals. The invitation to join in an aviation compact pleased Berlin in that it was a tacit recognition of Germany's right to an adequate air force, now forbidden under Part V of the Versailles treaty. But for the Eastern Locarno and the Rome agreement for safeguarding the integrity of Austria and the other Danubian States, Germany has no tolerance. Her leaders declare that the former in particular is quite unacceptable and that she has no intention of guaranteeing the Soviet Union against attack. The second object of her reply, very plainly, was to conduct further negotiations upon even the air convention through bilateral discussions, avoiding a general conference. To this end Germany invited Great Britain to begin with "a direct exchange of views." If and when bilateral negotiations produced a satisfactory result, then a general conference—evidently upon air questions alone—might follow.

There was a certain naïveté in the general chorus of disappointment which went up from the European press outside Germany. The French newspapers in particular expressed themselves bitterly. They denounced the German reluctance; they accused the Reich of trying to drive a wedge between Great Britain and France. Italian journals declared that Germany had no interest in the organization of peace, and was simply trying to outmanoeuvre Great Britain and France. In Russia the press, echoing a speech by Ambassador Maisky in London, lamented the German hostility to the "Eastern Locarno," and expressed fear that Great Britain would consent to drop it. In England the *Manchester Guardian* deplored the imminent danger of another headlong race in armaments, and the displacement of the League by the system of pre-war politics. A few official voices spoke hopefully. M. Laval said that at least Germany had not locked the door. But it was evident that France and Great Britain had suffered a rebuff.

The two nations had no choice but to play their hand out, although it soon became clear that the British leaders had little faith in their cards. On Feb. 25 Sir John Simon informed the House of Commons that he was going to Berlin, with the approval of the French and Italian Governments, to discuss the subjects covered in the Anglo-French note. The German Government had consented to talk with him on the entire problem of European security, and not merely the air convention, if the discussion were considered an "exchange of information" and not a "negotiation." After seeing Hitler and von Neurath, the British Foreign Minister expected to proceed to Warsaw and Moscow. Inasmuch as Sir John's visit would be the first made to Berlin by any leading British statesman since J. Ramsay MacDonald and Arthur Henderson went there in 1930 to discuss European peace with the Bruening Government, German pride was somewhat flattered by the prospect. Sir John was to arrive by air on March 7.

But on March 3 ominous news came from both London and Berlin. In the British capital fears were expressed that Germany would yield nothing; in the German capital it was flatly said that the Reich's leaders would not budge an inch on the "Eastern Locarno," or—for the present—on the Austrian guarantee. Hitler and Sir John Simon, it was evident, would not get beyond the "exploratory" stage. Nevertheless, the world awaited the meeting most anxiously.

It is seldom that European diplomacy, even in these troubled times, treats an expectant world to a surprise like that of March 4-5. The curtain was up, the footlights blazing, the overture ended, and everybody waiting for Hitler and Sir John to take the stage. Instead, there was a sound of angry scuffling in the wings and an announcement that the show was off. The British Government on March 4 suddenly laid before the House of Commons a White Paper announcing marked increases in the army, navy and air force, calling attention to the rapid and menacing increase in German armaments, and declaring that the old faith could no longer be placed in peace machinery and international compacts.

Germany took instant offense. The statement in the White Paper that the continued arming of Germany "will aggravate the existing anxieties of Germany's neighbors and may consequently produce a situation where peace will be in peril," and the reproachful reference to "the spirit in

which the population, especially the youth, of their country are being organized," were taken as insulting. Next day Berlin replied by a direct snub to Sir John Simon. It was stated that Chancellor Hitler's cold would not permit him to see the British Foreign Minister, and that their conference was postponed without date. The German press was exultant. An official in the German Foreign Office was quoted as saying that Germany would reply to England "blow for blow." And it was taken for granted in both London and Berlin that if the conference did occur shortly, it would be chilly and unpleasant.

All in all, the results of the Anglo-French proposals are thus far very discouraging. They have given Germany what she is pleased to call a recognition of her right to heavy air armaments—which is unfortunate. They have doubtless brought France and Great Britain closer together as against Germany—but such semi-hostile alliances in Europe are also unfortunate. They have not checked the rapid increase of European armaments in the least. Barring some unexpected development, they may be called a failure in softening the German temper or enlarging the German view of European needs. The fact is that they were too heavily weighted against Germany, who does not regard recognition of her right to arm, since she is exercising that right anyway, as sufficient return for accepting the existing situation in Eastern Europe and along the Danube.

It is easy to condemn Germany, but in a world of *Realpolitik* mere condemnation gets nowhere. The constant German agitation in Memel and Danzig, the renewed German movement during February for a return of part of the former colonies, the German talk of the propriety of an Austrian plebiscite on the Anschluss question, all indicate some of the probable ambitions of the Reich. At any rate they are evidence that the German price for returning to the League and to a completely binding system of European guarantees is higher now than when the Reich left Geneva, and is likely to rise.

There would seem to be two possibilities. Germany can perhaps be made to comprehend that if she continues to take a stubborn stand she simply makes more formidable and unyielding the great combination of powers which already ring her about on the west, south and east, that she only makes her position, economically and politically, more unhappy still. That is the method of threat, which many French and Russian leaders prefer to use. Or she can perhaps be made to understand that to return to the European system and re-enter the League will be the best means of satisfying such just ambitions as recognition of her equal right to arm and her right to a return of colonial territory. That is the method of conciliation which Great Britain and Italy have hitherto shown they prefer. But from any point of view the publication of the British White Paper at the particular moment chosen for its release was a deplorable blunder.

ARMS-MAKERS AND ARMAMENTS

While the Disarmament Conference at Geneva is not yet dead, its only current sign of life is represented by the attempt to bring about some international supervision of the sale of arms. The Arms Traffic Committee of the conference, composed of representatives of twenty-two governments, met in Geneva on Feb. 24. It at once took up a proposal submitted by the United States. This proposal, elaborately and carefully worked out, was explained by Hugh R. Wilson, the American

Minister to Switzerland. It provided for presentation to the nations of the world of a draft treaty for achieving three main objects. First, each country should create machinery for investigating and reporting on arms production within its own borders; second, a permanent international commission should be set up to scrutinize and supervise the traffic in arms; and third, means should be found to publish regularly the statistics on production and trade gathered by the commission.

This proposal met immediately with much opposition on the ground that it was too far-reaching. Earl Stanhope, speaking for Great Britain, was the chief dissenter, and was supported by representatives of Italy and Japan. He took the view that in the absence of any treaty for the limitation of armaments the work assigned to the international commission should be simplified and restricted. In the main, he would limit it to the collection and publication of facts on manufacture and traffic supplied by the various nations. As March opened no decision had been reached, but it was evident that the ambitious American proposals would be whittled down by other nations.

Meanwhile the armament industry continues to receive much healthful publicity. The Senate committee investigating the subject in the United States continued during February to hold hearings, and elicited additional evidence of war-time profiteering, the Bethlehem Steel and Bethlehem Shipbuilding Corporations under Eugene G. Grace being the chief culprits exposed.

Prime Minister MacDonald announced in the House of Commons on Feb. 18 the Royal Commission to inquire into the manufacture of arms, headed by Sir John Eldon Banks and including such distinguished persons as J. A. Spender, Sir Philip Gibbs and Dame Rachel Crowdy. These names offer assurance that the inquiry will not be perfunctory. The commission is not empowered at the start to examine witnesses on oath, and is not expected to fish for past scandals. But it is to get to work without delay; is to disclose all the present operations of the arms manufacturers, and is to report in detail on the advisability of a State monopoly of both manufacture and trade. Its findings should be of great value in Geneva as well as to the British Government.

On Feb. 24 a brave little subcommittee of the French Chamber reported in favor of a French armaments inquiry, but the suggestion was not taken seriously.

PARAGUAY LEAVES LEAGUE

After two and a half years of bloody fighting, Paraguay has fairly conquered most of the Chaco territory that was in dispute between herself and Bolivia. It was hardly to be expected, therefore, that the League would succeed in inducing the sturdy, tenacious little nation to relax its hold. It will be remembered that late in November the League unanimously adopted a report on methods of settling the dispute, and appointed an advisory committee to continue the efforts for an adjustment. Bolivia, the loser in the long struggle, was willing to accept arbitration, but Paraguay refused. As a matter of fact, any Paraguayan Government that accepted a "premature" peace would beyond doubt be at once overthrown by the army.

On Feb. 24 the three-month period in which the delinquent nation was to have an opportunity to accept the League's proposals came to an end. Technically it would then have been

possible to deal with Paraguay under Article II of the covenant. But the previous day, Paraguay took matters into her own hands, and announced that she would quit the League. Her resignation does not take effect for two years, but like Germany and Japan, she will henceforth ignore Geneva.

The League was, of course, not released from its own obligations by this action. Its next duty should have been to summon the advisory committee, and to consider the application of sanctions, but the South American Governments took action that made this impossible. Led by Argentina, a number of them advised the secretary of the League, M. Avenol, that they would not consent to sanctions directed against Paraguay.

One unfortunate new aspect of this most unhappy chapter in recent South American history is the bad feeling that Paraguay's all but complete victory has bred between Chile and Argentina. Most Chileans have sympathized with Bolivia, most Argentinians with Paraguay. The beginning of March brought an outburst of Chilean denunciation of Argentine policy. Leading men joined it, and Agustín Edwards, former Chilean Ambassador to Great Britain, created much resentment in Buenos Aires by declaring that Argentina had prolonged the savage war for her own selfish purposes.

THE FAR EAST

Little was heard during February of Japanese and American differences on the naval question. Such silence is golden. It is important that leaders in both countries, and especially Japan, be given time to forget some of the more dogmatic utterances of recent months. The only significant statement made in either nation during the month was by the Japanese Naval Minister, Mineo Osuni. He told the Diet on Feb. 6 that the government was planning a third naval replenishment program, beginning with the fiscal year 1936-37; and that if the Washington Treaty is not renewed before the end of 1936, Japan will proceed on the principle of "autonomous defense." That is, she will build what warships she thinks she needs, and may have more tonnage in certain categories than Britain or America, less in others.

Three days later, on Feb. 9, General Smuts, speaking in Cape Town, reemphasized some of his statements made in London before Christmas. He told the South African Institute of International Affairs that if Japan proved obdurate, and was determined to carry out a policy that threatened a new race in naval armaments or the integrity of China, the other Pacific powers would have to meet the situation. He declared there should be practical cooperation between the United States and the British Commonwealth for mutual defense in the Pacific and the preservation of Chinese independence, and that if Japan knew that such cooperation existed, this would in itself go far to insure peace. The speech was received with much satisfaction by the British press, and—quite unofficially—in some quarters in Washington.

Any treaty arrangement between Britain and America seems impossible, but Japan must realize that an uncompromising course is sure to produce the reality of Anglo-American cooperation, treaty or no treaty. It is highly regrettable that, during the present pause in discussions, both Japan and the United States should be planning naval manoeuvres of unprecedented scope in the Pacific late this Spring.

The President Loses Prestige

By CHARLES A. BEARD

IF face value is to be given to the signs of the times—transactions on Capitol Hill, announcements from the White House and opinions of the press then it must be recorded that the disintegration of President Roosevelt's political prestige proceeded with staggering rapidity during February and early March. Not even the shrewdest analyst and prophet who surveyed the overwhelming Democratic victory last November imagined that within four months the assurance of triumph would be dissipated and that defeat for 1936 would loom ominously on the horizon before Spring. Yet the unexpected has happened.

Contradictions in the New Deal have reached a high tension. President Roosevelt's spell of leadership has been definitely broken, for the moment, if not for good. Only one sign of clear determination has been displayed in his policy: His resolve to pour out billions for increased armaments in preparation for war. While old-line Democrats haggled over patronage and planned the purchase of the next Presidential election with a $5,000,000,000 fund supplied by taxpayers, the President and his allies moved swiftly with their war program.

Although it was well known that Secretary Hull was opposed, the President backed up the navy's independent project to conduct manoeuvres in the Far Pacific, as close to Japan as "proprieties" would admit. He did this while fully aware that such manoeuvres are just the stroke desired by the military dictatorship in Tokyo, which employs a deadly fear of the United States in fastening its grip upon the Japanese people. So it is coming, and it will bring the inevitable repercussion, leading to the next—and the next.

Evidence of coming things was also revealed on Feb. 22 when the House of Representatives passed without a record vote the War Department's appropriation bill for $378,000,000, one of the largest in peace-time history. By rallying its forces in the House, the administration prevented the adoption of an amendment depriving the President of discretionary authority to increase the army's enlisted strength by 46,250 men. Not content with this victory, T. B. Parks of the House Appropriations Sub-committee on War Department matters, and J. J. McSwain of the House Committee on Military Affairs, announced on March 2 that they expected to get more millions out of the works-relief fund. Mr. McSwain placed his figure at $405,000,000, in addition to the regular military grant.

General MacArthur stated before the Appropriations Sub-committee that he had been instructed by the Budget Bureau not to put his construction items in the War Department bill, and submitted a measure calling for $405,000,000 in addition to his regular demand, evidently with the hope or assurance that this huge supplementary grant would come from

the works-relief appropriation. Meanwhile Senator Robinson, speaking as an administration leader, assured representatives of peace societies that no money would be taken from the works-relief fund for naval purposes. Thus the way was being prepared for war abroad and the drum-head court-martial at home.

While bureaucrats and their munitions allies, who are preparing for the Pacific war and are determined to have it, wrung from the House and the administration stupendous grants of money, the Nye committee continued its inquiry into the munitions industry. It added new chapters to the sordid story of exorbitant profits, intercompany collusion and subterranean political connections with the administration. In an address delivered on March 2 before an anti-war conference at Oberlin College, Chairman Nye characterized "national defense" as a "racket" carried on by governments and munition makers. "These international racketeers," he said, "bribe public officials, share the profits from their business, divide the world into territories for themselves and fight disarmament by maintaining lobbies." Yet about the same time Senator Nye rejected a plea from the Progressive Education Association and other educators calling for an inquiry into the sources of militarist propaganda by the press, radio and film. Meanwhile no steps were taken by Congress or the administration to stop the collusion, profiteering and propaganda unearthed by the Nye committee.

That President Roosevelt was at the end of his resources so far as domestic policy is concerned was suggested by events all through February and the early days of March. Although he had had six months to prepare measures touching unemployment relief, the future of NRA, AAA, transportation, shipping and the place of organized labor in the New Deal, he had nothing ready when Congress opened and he has presented nothing but generalities since that time. Whereas in the early days of his administration in 1933 he made bold strokes and laid concrete measures of action before the Legislature, he now asked Congress to sign blank checks and left it to flounder in a morass of uncertainty in respect of his plans, if he had any. Nor was he entirely disingenuous in the matter of military and naval preparations, for he allowed Senator Nye to state publicly that the President would not use relief funds for military and naval purposes and Democratic Representatives in the House to assert, a few days later, that millions would go from the blanket works-relief appropriation to military and naval construction.

On Feb. 20, it is true, President Roosevelt raised with Congress the question of extending NRA, but those who had expected from him a fairly comprehensive treatment of the subject, accompanied by the terms of a bill, were disappointed. His message was brief and general. He asked for an extension of the act for two more years, and indicated in flowing language some things deemed desirable. Among other suggestions, he proposed that if an industry failed to agree to a code "unquestioned power must rest in the government to establish in any event certain minimum standards of fair competition in commercial practices and, especially, adequate standards of labor relations." Rumor had it that NRA had drawn up a tentative bill, after conferences with the President; but no specific program was laid before Congress with Executive sanction. Not satisfied with the President's offerings, Senator Wagner introduced

the following day a bill for establishing a National Labor Relations Board independent of the Department of Labor, for vesting real powers in it, for outlawing company unions and for giving employes an independent right to bargain collectively and exclusively through representatives elected by majority vote.

The failure of the administration to come to grips with the realities of the economic issues involved in NRA was illustrated by the contrast between the President's message to Congress on the subject and the "Report on the Operation of the National Industrial Recovery Act," made public in February by the Research and Planning Division of NRA. After calling attention to the fact that stock market prices were reaching the levels of 1931, the report added (page 24): "Note that, although payrolls in December, 1934, were only about 60 per cent of the total in 1926, dividends and interest were 150 per cent of their total in 1926. In short, the income enjoyed by those who received dividends and interest was 50 per cent higher than in 1926, even though the national income has declined nearly 40 per cent since that date and the volume of production has declined by one-third."

Against this statistical summary were to be placed avowed objectives of the original NRA declared in 1933: To reduce and relieve unemployment; to improve standards of living by increasing purchasing power and by promoting the fullest possible utilization of the present productive capacity of industries. This brutal contradiction between practice and theory was also statistically supported in a letter from the Secretary of Agriculture transmitting to the Senate a report by Gardiner C. Means on "NRA and AAA and the Making of Industrial Policy," made available to the public in February (Senate Document No. 13). Such disconcerting findings of fact by competent agencies of the government added to doubt and distress even among friends of the administration. Even the resignation of S. Clay Williams as chairman of NIRB, announced on March 5, did not materially relieve the tension.

In his message of March 4 on shipping, President Roosevelt was also brief and general, save on two points. He declared flatly that the "subterfuge" of mail contracts should be abandoned and an open subsidy adopted. He also proposed that the quasi-judicial functions of the Shipping Board Bureau be transferred to the Interstate Commerce Commission. But he suggested no specific form of subsidy. He merely said that such favors to private concerns should be based on differences in construction and operating costs between American and foreign shipping, and should take into account the liberal subsidies granted by foreign governments to their nationals. What should be the size of the American marine? It should be "adequate," it should be sufficient to carry a "reasonable portion of our commerce"; it should be large enough to maintain "reasonable and necessary intercourse with other nations" in time of war. Ships should be "in keeping with our national pride and national needs." Such were the President's "yardsticks" for Congress in the domain of merchant shipping.

Disintegration of the President's prestige in Congress was especially marked in connection with the blanket appropriation of $4,880,000,000 for work relief. Resentment over his refusal to furnish any itemization was manifested in many speeches in the Senate, where the bill was held up, and by still more vigorous remarks in the lobbies and cloak rooms. Although

Senators did not relish the charge that they were blocking grants to the hungry and shivering, they declined to sign the President's blank check. On Feb. 21 they passed by a narrow margin an amendment to the blanket bill requiring the payment of "the prevailing rate of wages" on public works designed for relief.

The President countered by a threat to veto the whole bill if the amendment was retained, and his directors in the Senate returned the bill to the committee. When the bill was sent back to the floor on March 5 it was shorn of the amendment, thus offering a direct challenge to the "champions of labor." It was, however, accompanied by a lump-sum itemization —so broad and general as to admit of any operations which the administration may decide upon when and if it is passed. Whatever the outcome, the "era of good feeling" had come to a close.

Other props were knocked from under President Roosevelt's dominion by an upheaval in the Department of Agriculture which resulted in the expulsion, resignation or shifting of certain members generally regarded as "left wing." Superficially, at least, this house-cleaning meant giving more power to the Administrator, Chester Davis, who was regarded as "practical" in dealing with processors, dairy companies and other capitalistic concerns. It involved also the burning question of the treatment to be meted out to about 8,000,000 share-croppers in the South and Southwest, who, to put it mildly, have not enjoyed many blessings under the New Deal.

To speak concretely, landlords have not been compelled to "pass on" to tenants a proper portion of payments made by the government for crop reduction. According to a United Press report, Mrs. Mary C. Myers, a special investigator for AAA, "uncovered contract violations which caused cruel hardships to part of the farm population. She found share-croppers straggling along the highways, homeless and unable to obtain relief." If there is any doubt about their miserable condition, the power of Huey Long in the huge disaffected regions should quickly dispel it. Nor has the upheaval in the Department of Agriculture added to the administration's strength in the Northwest, where revolt has taken the form of a declaration of political independence.

In the country at large the diminution of President Roosevelt's moral force was made evident in thousands of editorials and news stories. The defeat of the World Court proposal afforded a case in point. This was hailed by the isolationist and militarist press with loud applause, of course, as "the voice of the American people." But such cheer leaders blandly overlooked the fact that it was the two-thirds rule and the vote of "rotten borough" Senators which produced the result. Gauged by every standard for measuring public sentiment, there was an overwhelming majority of people in favor of entering the World Court. Although the President did lend his support to the measure, it was felt in many quarters that he could and should have saved the cause from disaster. At all events, the upshot lowered rather than increased his standing among those American citizens who had labored long and arduously to make even this "slight gesture" to the cause of international good-will.

Still more significant in revealing the decline of the President's grip on the country were the multiplying editorials and articles bearing on the prospects for 1936. After the elections

of 1934 even leaders in the United States Chamber of Commerce and the Manufacturers Association conceded that the country was "in for six more years of Roosevelt control." A microscopic search of clippings for February and early March disclosed no such confidence anywhere, save among hack politicians. During these latter days the possibilities, nay, probabilities, of defeat in 1936 were freely granted.

Discussion turned on three contingencies by no means chimerical. That Senator Huey Long running for President in 1936 could tear away whole sections of the Solid South was accepted as a fact. That States in the Northwest, following the lead of Minnesota and Wisconsin, could readily be marshaled under an independent banner was also accepted as a fact. With 15,000,000 voters ready to stand by the Grand Old Party in the off year of 1934, astute Republican leadership, if such could be found, might by a strategic nomination slip into power through a divided country, perhaps with the election thrown into the House of Representatives, as in 1800 and 1824. Speculations of this kind growing in volume and boldness foreshadowed things far from smooth and easy.

In the judicial branch of the United States Government war was waged on the New Deal program all along the line, especially by Republican district judges cherishing what Mr. Justice Holmes once characterized as the "subtle intuitions" inherited from times past. Not even the decisions of the Supreme Court in the gold cases were "a victory for the administration," as hailed in the Democratic press; for the decisions left many doors open and were accompanied by opinions clearly designed as rebukes. And the repercussions which they made encouraged ex-President Hoover to break his long silence with a call for a return to "a gold basis," whatever that may mean now. These judicial decisions, no doubt, were couched, in the main, in the austere language of juristic technology; but their upshot and implications were proof that ranks are breaking, not closing up, behind the New Deal and its sponsors.

The decisions of the Supreme Court in the gold cases must be examined with some care before their significance becomes apparent. There were three distinct issues up for review. The first was presented in a set of cases involving the action of Congress in setting aside the obligation incorporated in numerous private contracts to pay interest and principal in gold or a particular kind of coin or currency. On this point a majority of five judges joined in sustaining decisions of lower courts to the effect that "Congress had power to adopt the Joint Resolution with respect to these obligations of railroad companies and hence that the gold clauses could not be enforced and the bonds were payable in legal-tender currency."

The second issue came from the Court of Claims, where a holder of a Federal gold certificate claimed that he was entitled to payment in accordance with the terms of the gold obligation or its equivalent. Here the majority of the Court held that the plaintiff had shown no actual damage and that the Court of Claims could not entertain the suit.

The third issue also came from the Court of Claims, where the holder of a Liberty Bond demanded payment in terms of the gold obligation. To one question from the lower tribunal the Supreme Court replied: "We hold that the Joint Resolution of June 5, 1933, so far as it attempted to override the obligation of the United States created by the bond in suit, is invalid. It went

beyond the Constitutional authority of Congress. But we hold that the action is for breach of contract and that plaintiff has failed to show cause of action for actual damages. Hence the Court of Claims could not entertain the suit."

Although five of the nine justices agreed on the *decisions* in these cases, it is to be noted that only four of the five agreed on the *opinion* rendered by Chief Justice Hughes speaking for the court on the third and most fundamental issue up for determination. In this, the Perry case, Justice Stone rendered a separate opinion in which he declined to accept the whole of the opinion given by Chief Justice Hughes. In the close of his survey Justice Stone said: "I therefore do not join in so much of the opinion as may be taken to suggest that the exercise of the sovereign power to borrow money on credit, which does not override the sovereign immunity from suit, may nevertheless preclude or impede the exercise of another sovereign power to regulate the value of money; or to suggest that although there is and can be no present cause of action upon the repudiated gold clause, its obligation is nevertheless, in some manner and to some extent not stated, superior to the power to regulate currency which we now hold to be superior to the obligation of the bonds." In other words, with four judges dissenting and the affirmative five divided four to one in respect of a strategic element, the monetary powers of Congress have been confused rather than clarified by the opinions in the gold cases. The victory of the administration, if such it was, was soused in gall, and no clue to the future was afforded.

This uncertainty was augmented by the language employed by all the justices in the opinions rendered. Not without some justification did Justice McReynolds, speaking for the dissenters, hint that the opinion of the court consisted of "mere generalities or multitude of words [used] to distract the mind." Chief Justice Hughes did use a multitude of words to express his opinion and they were lacking in that flawless logic and triphammer precision which have characterized many of his State papers. They seemed to reveal a deep inner conflict of emotions.

On the other side the oral discourse of Justice McReynolds was totally lacking in law, logic and judicial temper. He declared that the Constitution now seemed to be gone. He spoke with irony and sarcasm of the "repudiation of national obligations," of such things as "abhorrent" to him and his dissenting colleagues, of "Nero," of royal prerogative in France, of the near "wickedness" of the administration's monetary system and of the abuse of private rights. Although more temperate than his spoken words, the printed opinion of Justice McReynolds was crowded with "generalities" and a "multitude of words," indicating a constitutional incapacity to see the points at issue and stick to them.

On the whole the spectacle was not edifying or helpful to the administration, Congress or the people. Surely if Justice Holmes had been there, if he had heard the befuddled arguments of counsel, and the opinions of his colleagues, he would have said simply, as was his wont: "Please put your finger on the clause of the Constitution which you are talking about." Such a simple procedure might have produced an electric clarification of the murky atmosphere.

In a statement released on March 2 it was officially estimated that more than 389 cases involving New Deal

legislation were pending in the Federal courts. Forty-six touch AAA, while NIRA is drawn into 332 actions. The Kerr-Smith Tobacco Act, the Tennessee Valley Development Act, the Bankhead Cotton Act, the Railway Pension Act, the Emergency Transportation Act and the Silver Purchase Act are all hanging in the air of uncertainty.

A Federal court at Louisville has denied that PWA possesses the right to condemn land for slum clearance and this has drawn in question fifty similar projects in thirty different cities. The enforcement of the Coal Code has been enjoined. The Lumber Code formed under NIRA has been declared invalid. In March State recovery acts designed to support NRA were declared void by State courts in New York and Wisconsin. Hence the docket of the Supreme Court in Washington is crowded by cases of crucial importance for the economy of the United States, and the decisions of that tribunal in the oil case did not suggest that the other elements of the New Deal will escape unscathed.

It is impossible here to review even the leading adverse decisions, but a few may be chosen for purposes of illustration. In the field of utilities involving the Tennessee Valley Development, W. I. Grubb, Federal District Judge in Alabama, declared that the Federal Government had no constitutional power to compete with any private business in any State—in other words, no right to use the famous "yardstick" of the New Deal. It may, ruled the judge, improve navigation, control floods, generate power for its own uses and sell surplus power arising from "legitimate" activities; but to go beyond this into the production and distribution of electric power would be to invade the reserved rights of States. There are, beyond question, ample precedents in the decisions and opinions of the Supreme Court of the United States for overruling Judge Grubb's decision; but given the composition of the Supreme Court and the temper displayed in the gold cases, there is no assurance that the overruling decision will come. Furthermore, if practice gives any hint to the future, it is probable that the higher decision will be delayed so long that the moral force behind the President's power program will be dissipated and channeled in a new direction.

In the sphere of labor and collective bargaining, the New Deal received a smashing blow from John P. Nields, a Federal District Judge at Wilmington, Del., in the long-drawn-out Weirton case, closed on Feb. 27. He denied the government's plea for an injunction to restrain the National Steel Company from interfering with its employes' right to select their own representatives for the purposes of collective bargaining. In the course of his opinion Judge Nields declared unconstitutional and void the now famous Section 7a of the National Industrial Recovery Act as applied to companies not engaged in interstate commerce. By making a sharp distinction between manufacturing and industry, he implied that the whole of NIRA is void in so far as it seeks to impose regulations and codes upon industries not engaged in interstate commerce as he defines it.

With accuracy and precision *The New York Times* reported that "the court's decision was received as a victory for the company union and as a defeat for the Roosevelt administration and for organized labor." Before sailing for Bermuda on the day of the decision, E. T. Weir, chairman of the National Steel Company, expressed his gratification at the "very sweeping decision" and "the complete

vindication" of the company's position.

Other cases involving labor offered no rosy outlook for the administration. In February the National Labor Relations Board issued a review of its career for the first six months. The board, it appears, handed down sixty-eight decisions calling for compliance. In fifty-one of these cases employers simply declined to obey. Only one case was taken up by the Department of Justice—the more than celebrated Houde case—and it is still pending in the courts. Then followed the confession of the board: "The board is powerless to enforce its own decisions. * * * In ultimate analysis its 'findings' and 'orders' are nothing more than recommendations." In substance, the NLRB read to the public its own funeral oration, apparently without any raising of eyebrows in the White House.

Plans for stabilizing the milk industry, in particular milk sheds, received a stunning jolt at the hands of the Supreme Court on March 4 in another New York milk case. On this occasion the court granted a permanent injunction against the New York milk authorities. It forbade them to withhold licenses from dealers who bought milk at low prices in other States and brought it into New York for sale. By this decision dealers were given the freedom they have long demanded—namely, the right to break stabilization in local areas by importing milk from low-price regions. Such an effort at stabilization, the court held, was an invalid interference with interstate commerce. If there is any logic at all in judicial reasoning, then a vital section of the Agricultural Adjustment Act will shortly be knocked into a cocked hat. Dealers and their allies among cooperatives will enjoy the "liberty" they have been working for since 1933.

While lower courts were knocking the legal props from under the New Deal, Congress sought to overcome the effects of the Supreme Court's decision on Section 9c of the NIRA. On Feb. 22 it sent to the President a bill prohibiting the interstate shipment of oil illegally produced and authorizing the President to suspend the ban on such shipment in certain circumstances. Thus Congress hoped to escape the charge of delegating legislative power to the Executive branch. Secretary Ickes declared that the measure did not go far enough but would afford some control over the waste and inefficiency of the oil industry. Meanwhile something like chaos reigned in that economic kingdom.

It may be that news of what is going on in the world has broken through the President's cordon of secretaries — through that "closely watched servitude which is mocked by the name of power." It may be that he is employing grand strategy in allowing Congress to demonstrate incapacity for constructive statecraft. It may be that he is maturing in his own mind great strokes of policy in domestic and foreign affairs that will snap the high tension and restore his prestige. But that belongs to intuition, not to history.

Canada's Pre-Election Fight

By J. BARTLET BREBNER
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THE Canadian Parliament has by almost unanimous votes ground out the legislation of Prime Minister Bennett's State socialism as fast as it has been offered. The Unemployment Insurance Bill has been passed, as have resolutions approving the eight-hour day, the forty-eight-hour week and a compulsory weekly day of rest. The Natural Products Marketing Act has been taking hold from Nova Scotia to British Columbia as various groups of producers have applied for marketing controls and the Farmers' Creditors Arrangement Act, after facilitating a fair number of direct settlements, has reached the stage of consigning cases for arbitration to the untested Board of Review.

Yet the Liberal and Socialist oppositions, in spite of Mr. Bennett's autocratic pressure, have succeeded in producing some impression of unreality about the whole program. Socialist strategy has been to cooperate with Bennett and jeer at Liberal economic antediluvianism, but at the same time to point out the timid, utterly inadequate scope of government schemes. The Liberals claim that the legislation is theirs as much as Bennett's, but have steadily insisted that it was foolish to legislate when all past precedent made it clear that the laws would be thrown out by the courts as exceeding the powers of the Federal Government.

Mr. Bennett has long been impatient of the barriers to Federal power set up by the British North America Acts as interpreted by the Canadian Supreme Court and the Judicial Committee of the Privy Council. The Premier's recent closely argued speeches clearly indicate that he believes that the judges can be convinced of the principle of constitutional growth. He has used the arguments of the Federal treaty power, has quoted the recent favorable radio and aviation decisions, and seems determined to build up a new doctrine of emergency Federal powers based on the "peace, order and good government" clause of the Constitution. If, in his efforts for social legislation, Mr. Bennett can get more unity into the Canadian Federal Constitution, he will have removed shackles from the Canadian central government that have restrained it for seventy years, chiefly to protect the minority position of Quebec. In further support of these aims, a special Parliamentary committee of nine was set up on Feb. 12 to consider the working of the Constitution and to recommend changes.

The impression of unanimity given by the votes for the new program revived speculation about a possible National Government. Yet Mr. Bennett has been too autocratic to share government with any one; Mackenzie King, the Liberal leader, believes that he will in any case win the 1935 general election, while Mr. Woodsworth, the Socialist leader, has remained consistent in his disbelief in any form of capitalistic salvation.

The railway problem gave point to

the talk of coalition. E. W. Beatty, president of the Canadian Pacific Railway, in a forceful speech at Regina, continued his long campaign for unification of his system with the National Railways. At the same time Mr. Bennett voiced his alarm over the deficits of the national system and questioned the wisdom of leaving the problem to the vagaries of party politics. Simultaneously, the Minister of Railways ruthlessly forced through the Commons a bill supplanting the firm of auditors that had served the national system for the past eighteen years. These auditors, in carrying out the new statutory instructions of 1933, had reported that the capital structure of the railways and the national debt of the Dominion should be readjusted by cancellation of over $1,000,000,000 of misleading or meaningless obligations hitherto debited against the railways. Whatever skepticism was felt about a coalition government, there were grave fears that the government's response to the call to clear up the capital structure of the publicly owned system implied some kind of sacrifice of its competitive position in relation to the C. P. R.

While it has been impossible to get out the apparently voluminous final report of the Royal Commission on Business Practices, the first of a series of draft sectional reports was made public on Feb. 16, thus providing useful ammunition for the Bennett legislative program. The commission recommended constitutional revision to permit enactment of national minimum-wage and maximum-hour laws, and Parliamentary encouragement of trade unions and collective bargaining. It described the deplorable labor conditions it had found and in reference to Quebec said bluntly: "It is unthinkable that local patriotism can continue successfully to resist the demands of national welfare. Most of the Provinces were meanwhile tightening the operation of their Wage Boards, and Ontario and Quebec, both of which contend that Federal regulation is unconstitutional, were collaborating in setting up common regulations.

THE GREAT WHEAT VENTURE

Since December, 1930, the Canadian Government, through its agent, J. L. McFarland, has been trying to sustain the wheat market by unrevealed operations in margins and futures. It has cooperated with the United States and Australia in the vain effort to get Argentina to consent to export quotas. Relying on the average world market and on the superior quality of Canadian wheat, it has kept the Canadian price from 10 to 15 cents above equivalents at Liverpool and it has been aided by two successive short crops in North America. At the end of 1934 Mr. McFarland was generally believed to hold margins for 240,000,000 bushels out of about 255,000,000 bushels visible. During the Summer and Autumn he had expressed his belief that a world shortage would by Aug. 1, 1935, wipe out the Canadian surplus. In an effort to counter what he believed to be foreign bear raids on the Winnipeg Exchange, he pegged prices there during the Autumn.

On March 1 the Canadian visible supply was 240,704,000 bushels, over 11,000,000 bushels more than a year before. Despite the fact that most of the new Australian crop was going to the Orient, the Canadian export movement to Europe was very slow and the price remained just above the pegged level. The Continental European market remained far below its average of five years ago; Argentine wheat in apparently inexhaustible supply was being sold in Liverpool for about 20 cents a bushel less than

No. 2 Northern, and foreign grains were underselling Canadian, even in the distress market in the United States. Mr. McFarland, however, stuck by his guns fairly steadily, and in a speech to his critics at Moose Jaw on Feb. 14 he drew upon Broomhall's revised estimates for 1934-1935 to demonstrate to his own satisfaction that Canada would reduce her carryover certainly to 100,000,000 bushels and possibly to 81,000,000 bushels by Aug. 1. That would involve more than quadrupling the rate of export during February.

The average price of the government's purchases was not public, but prolonged pegging operations seemed to imply that it must be above the present world price and that the Treasury would face a serious loss if the grain were moved out in competition with Argentina. Secrecy added to popular concern over the gamble and this was deepened by the introduction in the Dominion House of Commons on Feb. 28 of a vague resolution which was interpreted to mean creating a compulsory national grain board to control production and marketing. The whole situation disturbed all those who believed that marketing controls were likely to ignore world prices and thus benefit producers only at the cost of the domestic consumer and the taxpayer.

THE PAPER WAR

At the beginning of March the opposing forces in the North American paper war were back in the trenches. The effort, encouraged by Prime Minister Taschereau of Quebec, to raise the price of newsprint progressively to $42.50 and $45 a ton during 1935, had been defeated by the American consumers and the threatened punitive Quebec legislation had not emerged. While Quebec could force the producers into line by raising water rates, stumpage duties and diameter regulations, she would in turn encourage competition from the rest of Canada, Scandinavia, Russia and the Southern United States. Moreover, the whole complex of the United States market, American investment in Canadian plants and American and European competition were deeply involved in the current negotiations for a trade agreement between Canada and the United States.

CANADIAN BUSINESS

Recently published figures on Canadian unemployment and relief show the situation to be bad, but somewhat better than in the United States. The peak was in April, 1933, when 1,519,-706 were on relief out of a population of about 10,650,000. At the end of 1933 the figure was 1,225,701; at the end of 1934 it was 1,207,345, with 1,027,649 on direct relief, 159,064 on drought relief and 20,632 in labor camps.

During January, for the first time since April, 1933, exports were less (6 per cent) than twelve months before. Imports were 15 per cent greater, maintaining an advance that has continued since July, 1933. The balance, while still favorable, was half of the 1934 amount and at the January, 1933, level.

During the first week in March the Canadian-American exchange rate was suddenly upset. From March, 1934, to January, 1935, the Canadian dollar was at a premium in New York. During February the pound and the two dollars maintained an approximate parity. The fall of the pound, however, carried the Canadian dollar down to over 1½ per cent discount.

Argentina Regains Confidence

By HUBERT HERRING

ARGENTINA is catching her breath after the rigors of a depression and is forging ahead with impressive vigor. The country has suffered a mild case of dictatorship under President Justo, but it is a dictatorship with checks and balances, and, compared to the tidy autocracies of Venezuela's Gomez or Peru's Benavides, appears quite democratic. Justo governs through a coalition Cabinet which roots his government in the realities of the national political scene. Furthermore, parties are again becoming active.

A significant test of strength occurred on Feb. 7, when an uprising in the Province of Buenos Aires resulted in the temporary unseating of Martinez de Hoz, the Provincial Governor. The trouble was ostensibly provoked by the Governor's alleged corruption of the public service; actually it was one phase in the struggle to secure recognition of the party system. President Justo took energetic action, suppressed the revolt and reinstated Martinez de Hoz. This was regarded in Argentine circles as proof of the President's strength. But matters are complicated by the report early in March that the Governor had defied the President upon his reinstatement by setting up a Fascist Cabinet, and dispatches from Buenos Aires on March 8 indicated that Martinez de Hoz would be impeached and that the Federal Government had withdrawn its support.

Argentina is troubled by her German residents. Early in February there came to light a well-developed Nazi plot to attack the German Lutheran church, the anti-Nazi German newspaper and a large theatre which was staging an anti-Nazi play. This struggle between Argentine Germans of different political faiths may represent simply the carryover of Old World animosities, or it may be that the anti-Nazis and the Nazis are being used by rival Argentine political groups. The country has long suffered from the presence of large unassimilated foreign groups; the German, Italian and Spanish colonies have done much to retard the development of united national feeling. The German colony, in which Nazis dominate, is especially vocal. Argentine leaders would rejoice if Adolf Hitler would call his shouters home.

Economically, Argentina stands in an increasingly favorable position. Imports for 1934 increased by 23.7 per cent over 1933, and exports by 28.3 per cent. The United Kingdom continues to be Argentina's best customer, taking 36.8 per cent of her total exports in 1934 as against 34.8 per cent in 1933, and providing 22.5 per cent of the total imports, as against 21.4 per cent in the previous year. American purchases from Argentina declined from $28,842,000 in 1933 to $23,958,000 in 1934, while Argentine purchases from the United States increased from $40,656,000 in 1933 to $50,094,000 in 1934. In the meantime, Argentina shows an increasingly satisfactory balance of trade, amounting in 1934 to 328,000,000 pesos ($108,240,-

000), as against 223,600,000 pesos ($73,788,000) for 1933.

LATIN AMERICA AND JAPAN

The Japanese trade drive on South America has awakened the economists of Brazil, Peru and Chile to the fact that there is too great a discrepancy between Japanese sales and Japanese purchases. Despite the absence of reliable figures, Japanese traders have unquestionably made rapid and spectacular inroads in virtually all the twenty Latin-American Republics. The increase in Peruvian imports from Japan between 1928 and 1934 was about 200 per cent. Peru has been buying from four to nine times as much from Japan as Japan has been buying from Peru. During the period 1929-33, Japanese exports to Argentina increased over 100 per cent, while those from the United States, Great Britain and Germany decreased. Brazil bought 113 per cent more from Japan in 1933 than in the preceding year. Cuba increased her purchases 173 per cent in 1933 over 1932.

The explanations are various. Japan, with a depreciated currency and extremely low labor costs, can undersell her competitors. Furthermore, the Japanese have proved excellent salesmen. They have adapted their goods to the Latin-American market to a degree not true of either Great Britain or the United States. They have played upon the widespread fears of North American imperialism. They have dilated upon the probable Oriental roots of American Indian racial stocks. They have sent cultivated Japanese to Latin-American capitals and have invited distinguished Latin-Americans to visit Japan. They learn the languages of the country with which they trade. I have heard in Lima a Japanese commercial attaché give a lecture in excellent Spanish. In Rio de Janeiro I heard one of the secretaries of the Japanese Embassy speak on life in Japan to a Brazilian audience, and I was assured that he spoke letter-perfect Portuguese. In conversation with him I found his English impeccable.

Latin America will undoubtedly place increasing curbs upon Japanese trade, especially where Japan is not able to assure a greater measure of reciprocity. The stubborn fact remains that Japan can produce and sell a host of articles at a price that competitors cannot touch, and that the Japanese has proved himself a matchless salesman. American economists, who are worrying over Japanese trade with Latin America, might do well to advise American salesmen to study Japanese methods.

THE BRAZILIAN TRADE TREATY

The Brazilian Trade Commission spent the first days of February in Washington, were properly wined and dined, rejoiced with Secretary of State Hull over the signing on Feb. 2 of the reciprocal trade pact, and discussed many things of interest to the two countries. The details are locked away in the notes of the men who did the talking, but some things are clear.

First of all, Brazilians are regretfully but firmly certain that they cannot pay all their debts. There is not exchange enough. They can pay the charges on their foreign debt, or they can pay for the imports they receive, but not both. This comes as a painful shock even to nerves calloused by a series of foreign defaults.

Next, the subject of cotton sticks as a burr in the side of Brazilian-American relations. The Brazilians prefer to minimize the importance of cotton, but there is no escaping the facts. The United States, through its AAA program, has drastically cut

American production, thinking thereby to ease the domestic and the world cotton market. Forthwith Brazil, together with other cotton-producing countries, proceeded to undo the work by rushing into the cotton business with a vigor alternately imposing and threatening. Ships bound from American to Brazilian ports are carrying heavy consignments of cotton machinery. Brazilian exports of cotton are increasing by leaps and bounds. The Sao Paulo papers belittle the cotton business. It amounts to nothing, they say; coffee is the Brazilian crop.

We can only guess what was said by the distinguished spokesmen of our State Department to the distinguished representatives of Brazil, but this guess is as good as the next one. The Americans probably said to the Brazilians: "Gentlemen, we are the best customers for your coffee. In fact, if you do not sell us your coffee, you are done for. The new trade agreement, now so happily signed and on its way to the Brazilian Congress, continues coffee on the American free list. We will continue to take your coffee, charging no duty on it and assuring you of a steady and profitable market. But we invite your attention to the fact that you are entering into competition with us at a point where we are already a bit sensitive—cotton. We will play ball with you on coffee; perhaps you might play ball with us on cotton. There are other countries that can produce, that are eager to produce, more coffee." The argument may have its effect upon the expansion of the Brazilian cotton business.

THE CHACO WAR

Striking back at the League's lifting of the arms embargo on Bolivia, and the tightening of the embargo on Paraguay, Paraguay has withdrawn from the League (see page 62). This leaves the League holding a rather empty bag. Paraguay is in a fairly impregnable position by reason of her possession of all the disputed territory, her strong backing from Argentine and British commercial interests, and the certainty, now that she has victory so nearly in her grasp, that she will be able to buy needed arms in spite of the League's proscription.

On the other hand, February witnessed substantial Bolivian successes. The Paraguayan troops, by their gains in December and January, are fighting far from the home base. They have concentrated their attacks upon Villa Montes, the key to the control of the Bolivian oil fields. The opposing forces met on Feb. 18 in what may prove to be the decisive struggle. The advantages at the time of going to press seem to be on the side of the Bolivians.

DICTATORSHIP IN CUBA

The students of the University of Havana in February began a strike which spread into all the high schools and technical schools of the island. The demands, supported by the faculty of the university, were for adequate financial provision for the schools, the ending of military dictatorship over education and the restoration of constitutional rights. In response, two members of President Mendieta's Cabinet—the Ministers of Education and of Commerce—resigned their posts. Widespread violence was reported, chiefly in Havana. On the night of Feb. 15, for example, forty-five bombs exploded in the capital. The youth of Cuba, which learned so well the arts of violence during the Machado days, had not forgotten their cunning, and many a fashionable home in the Vedado again became an arsenal.

President Mendieta, under stress of these events, daily showed himself

more impotent, alternately yielding to the more insistent demands of the Opposition and striking back with more severe restrictions upon constitutional rights. Then, early on the morning of March 9, he established a dictatorship with the consent of the Cabinet and the Council of State, suspended constitutional law, except as it affects foreign treaties and international obligations, re-established the death penalty and appointed military Governors to the Provinces.

THE MEXICAN SITUATION

Dr. Francisco Castillo Najera, Mexico's new Ambassador to Washington, faced a variety of delicate and difficult task when he assumed his post in mid-February. The church war continued. On Feb. 12 the Cardenas administration announced that henceforth no religious literature could be sent through the mails. On the American side, Senator Borah still pressed for a Senatorial investigation and Secretary Hull countered by urging that Mexican religious troubles be considered as the internal affair of a sovereign State. Members of both the Senate and the House in Washington condemned Mexico, and Representative Connery of South Carolina demanded that Ambassador Josephus Daniels be recalled because of his friendly attitude toward the Calles program.

The land question, moreover, has again come to the fore. The carrying out of the Mexican agrarian program, to which President Cardenas is firmly committed, brings up the issues that all but precipitated intervention in 1927, for expropriation inevitably affects American-owned lands. In February the government took possession of two-thirds of a 4,000-acre ranch in the State of Tamaulipas, the property of the J. J. Fernandez estate of Brownsville, Texas, and divided the area among Mexican agrarians. This was done, it was said, with due regard for Mexican law, and compensation is promised. Nevertheless, the fat is in the fire. Protests have been made to the American Embassy and to the Mexican courts. But the mood at the State Department in Washington has changed greatly since the days when Mr. Kellogg was Secretary and Ambassador Sheffield represented us in Mexico, and it seemed unlikely that diplomatic pressure would be exerted.

In the meantime, the Mexican internal situation steadily improves. The loudly heralded revolution of the Villareal-Vasconcelos forces seems quiescent. Shifts within the Mexican Cabinet are discussed, but President Cardenas appears to have his forces well in hand, and with the backing of ex-President Calles goes confidently on. The economic situation has so far improved as to lead Mexicans to boast that their depression is over. Both imports and exports for the year 1934 show a gain over the preceding year of almost 100 per cent. Government income in January, 1935, was double that in January, 1934. Altogether, Mexico is in a prosperous condition, despite the threats of revolution and the highly delicate church situation.

HAITIAN TROUBLES CONTINUE

The sailing of the last American marine did not settle Haiti's troubles. Now there is contention over the purchase of the National Bank of Haiti from its New York owners. This was solemnly agreed to in the covenant signed by Washington and Port-au-Prince. The provision was hotly contested by a group of eleven recalcitrant Haitian Senators, including some of the most honest and undeniably patriotic leaders of the island. They said, in effect, that the New Yorkers had long since forfeited their

moral rights in Haiti, and that they did not deserve to be paid off. President Stenio Vincent countered by proposing a national plebiscite in which the people would say whether they wished to buy the bank or not. The rebellious Senators announced that the proposed plebiscite was illegal and meaningless and declared that they would not be bound by the results.

The voting was held on Feb. 10, however, and President Vincent got his verdict—454,357 for the purchase and 1,172 against it. The Senators were obdurate and were thereupon expelled. On Feb. 23 the Chamber of Deputies elected eleven men to fill their places, and President Vincent had a clear majority in both houses. While this opens the way for carrying out the provisions of the covenant with Washington, it creates one more sore spot in Haitian political life, and puts a severe strain upon the development of sober political institutions. It also furnishes ammunition for those who insist that Washington, having foresworn intervention, goes on merrily governing Haiti through the acquiescent Stenio Vincent.

Pepper and Politics in Britain

By RALPH THOMPSON

FEBRUARY and the first days of March brought mild weather to England; crocuses burst into bloom and farmers began their Spring plowing. But for Ramsay MacDonald and his National government the winds of Winter still blew. One chill blast came directly from the Ministry of Labor with the announcement that unemployment had risen 239,000 from Dec. 17 to Jan. 28. Another swept in from Mincing Lane with a series of speculative failures dangerous enough to send shivers up and down the spine of financial London. Sir William Beveridge, director of the London School of Economics, uttered cheerless words in a radio speech on Feb. 19. Was Britain, he asked, on the brink of another depression?

There were all sorts of answers. *The Economist* monthly index for January showed business activity at a record high. The Board of Trade's report on 1934 imports and exports was not discouraging, with an adverse balance, allowing for both visible and invisible items, of only $5,000,000. Reginald McKenna, chairman of the great Midland Bank, told his shareholders that "the crisis had been overcome." Yet the government could hardly feel confident with a 10 per cent rise in unemployment, and the motion of censure attempted in the House of Commons on Feb. 14, while it of course did not come within striking distance of success, was a clear statement of the tune to which Mr. MacDonald, if not the entire Cabinet, will one day have to dance.

The Mincing Lane failures were precipitated by greedy dealings in the pepper market. Speculative interests sought to raise the price by cornering the supply. The price went up easily enough (it more than doubled between the end of 1933 and the end of 1934), but it went up so high that it defeated the purpose of speculators and drove at least a few consumers to direct dealings with producers rather than

with London brokers. Those engaged in the deal suddenly found themselves possessed of a fantastic supply of pepper and a mountain of debts they could not pay. The outcome is obvious. On Feb. 7 the ringleading firm went down in ruins, and then came a series of noisy smashes as one by one other firms were unable to collect what was owing to them. Friendly bankers stepped in to avert a total crash, but a week's moratorium on pepper dealings had to be called, and all financial London trembled as if under a shock.

The pepper corner was hardly Prime Minister MacDonald's fault. Yet, since it was but one of a series of almost simultaneous disorders in the commodity markets, political repercussions were inevitable. Late in January Strauss & Co., grain dealers, had collapsed in one of the worst business failures since the Hatry débâcle of 1929. On Feb. 21 was announced the voluntary liquidation of Francis Willey & Co., generally regarded as the world's leading wool merchants. When, a few days later, it became known that a private as well as an official pool was manipulating the value of tin, the price of that metal promptly sank to the lowest in years.

In the House of Commons, meanwhile, a series of pointed questions was being thrust at government spokesmen, and on the stock exchanges gilt-edged securities slumped in value under a wave of selling. Was the government about to disintegrate? Were the commodity upsets due, a Liberal member asked in the Commons on Feb. 14, to "a scandal equaling the Stavisky affair in France?" Would the government take action against those responsible for these troubles? Would there be an immediate investigation into the position in those commodities which had not yet suffered?

To these inquiries the government had ready if not completely satisfying answers. There would be no early election—that was definitely stated by Neville Chamberlain at Birmingham on Feb. 15. Action in regard to the pepper pool would not be taken before the official bankruptcy report had come to hand. On Feb. 19 Sir Philip Cunliffe-Lister, Colonial Secretary, flatly refused to order an investigation into commodity dealings—a refusal which inspired a Labor member to inform the House that the government apparently "wishes to hush matters up." But whether or not the Opposition chose to take umbrage at the official attitude, the financial world was comforted. With the first week in March, security values had once more risen, and British confidence in British credit seemed restored.

Throughout these exciting days the business of Parliament went steadily on, with Mr. MacDonald and his colleagues suffering yet another sequence of rude jolts because of their unemployment relief policy. Their confession of error regarding the new relief payments may have been good for their souls, but it did not offer much satisfaction to the workless people themselves, and in several parts of the country there was window-smashing and rioting even after the promise of improvement had been given. The concessions themselves were embodied in the Unemployment Assistance (Temporary Provisions) Bill, which was rushed through both houses of Parliament and received Royal assent on Feb. 15.

A few days later the Commons accepted the government's plan for solving the puzzling question of meat imports. The existing subsidy to the British livestock industry was extended until July 1; after that date, according to the new scheme, the

quantitative restriction on imports will be abolished, and farmers will be subsidized with the proceeds of a meat tariff. But more sensational than this provision was the announcement during the first week of March that the appropriations for the army, navy and air force were being expanded more than $50,000,000 over those for 1934. Cries of "Tory militarism" were heard in some quarters, and indeed it did seem that the government had lost faith in the machinery of peace and the prospects of disarmament. The Opposition felt that Mr. MacDonald and the Ministers responsible for the new policy had dropped yet another notch in the public esteem.

Winston Churchill had been at pains to declare in a speech on Feb. 22 that in Mr. MacDonald "the country, the government and, above all, the Conservative party are carrying a most grievous burden," and on the same day David Lloyd George, smarting from the rather cool reception his proposals of cooperation had met in government circles, told a Manchester audience that the Prime Minister had broken his promise to examine the plans for a British New Deal put forward at Bangor in January. On March 1, however, Mr. MacDonald asked for complete details of the New Deal, and Mr. Lloyd George promised to send them at the earliest possible moment. "Ever sincerely" he signed himself to the letter of acceptance, and England sat back to await the verdict.

THE INDIA BILL

The Government of India Bill passed its second reading in the Commons on Feb. 11. In the division Winston Churchill and seventy-eight die-hard Conservatives filed gravely into the Labor lobby, quite as if Dominion status for India were their fondest hope instead of their worst nightmare. But any port in a storm. The significant committee stage opened on Feb. 18, and the expected series of amendments began to appear before the House. One after one, however, they were rejected by the government's powerful majority, and not until Mr. Churchill attempted to kill the measure by declaring that the Indian Princes would not accept it was there any serious hitch. Even this threat failed as Sir Samuel Hoare, Secretary for India, declared that there was nothing in the Bombay resolutions that could not be met by easily-effected changes in London.

What actually happened in India was this. In January the Princes had agreed that with modification the Federal scheme embodied in the Government of India Bill would be satisfactory. Meeting at Bombay on Feb. 25 they re-affirmed their objections, citing specific provisions with which they found fault. But in these resolutions there was, despite Mr. Churchill's contention, no threat of rejection. Ample proof of this came when, on Feb. 28, the Chamber of Princes took the trouble to deny the rumors of their disaffection and to declare again that they sought merely to safeguard their sovereignty "without changing the structure of the bill."

In British India recent reactions have been less kind than those in the native States. A motion in the Legislative Assembly for outright rejection of the Federal scheme, brought forward by Congress leaders on Feb. 7, failed of success by a narrow margin. But when Mr. Jinnah, leader of the Independent Moslem party, put forward a motion declaring among other things that the Federal scheme, while an improvement over the present Constitution, was fundamentally bad and unacceptable, the Opposition mustered its strength and defeated

the government by a vote of 74 to 58. A week later the Bombay Legislative Council refused to consider the Select Committee's report. Only the Council of State, the upper house of the Indian Legislature, declared itself in favor of the proposed Constitution.

In Burma the voting on the report of the Select Committee was attended by a political upset. Although a motion for rejection of the constitutional changes was defeated, the Burmese members on Feb. 22 voted the removal of Sir Oscar de Glanville, president of the Legislative Council, on the charge of his having restricted debate. A similar rebuke was administered last August, but the Governor refused to concur, and instead dissolved the Council. According to Rangoon dispatches, U. Chit Hlaing, Opposition leader, was elected to the post on Feb. 27.

ANGLO-IRISH RELATIONS

Despite high hopes on either side, the month of February passed without visible improvement in the relations between Great Britain and the Irish Free State. The much-debated Citizenship Bill, which had already completed all its stages in the Dail Eireann, passed the report stage in the Free State Senate on Feb. 6, and became yet another point of difference between London and Dublin. The early days of March went by without agreement upon the question of lowered duties for Free State cattle and British coal, and in new tariffs imposed upon imports of cutlery and refrigerating apparatus Mr. de Valera's government showed again its economic nationalism.

J. H. Thomas, British Secretary for the Dominions, did not help matters by a speech made in London on Feb. 14. A settlement of differences would be especially welcome in the year of the King's Silver Jubilee, he declared, but the Free State would have to recognize "the sanctity of agreements" and its share in the responsibilities of the British Commonwealth of Nations. Mr. de Valera thereupon chose to feel offended, announced that the Thomas speech "brings the position back to what it was three years ago," and made a little speech himself to the effect that for 750 years the Irish people had honored their agreements and had recognized their common interests with Great Britain. But (and this in reality starts the argument all over again) they would not submit to British domination.

Recovery Eludes France

By E. FRANCIS BROWN

SUSPENSE, that favorite device of drama, has in recent weeks provided the chief interest in French affairs. Business activity has continued to languish; social unrest has by no means abated; the many-sided crisis, described by Paul Einzig in these pages last month, remains unsolved.

The government has lost some of its aggressiveness. No longer are its measures railroaded through Parliament. Though the strength of the Cabinet has not been greatly impaired, votes in the Chamber on several occasions have indicated increasing opposition. On certain questions

discussed in Parliament it has been evident that not all the Ministers were in agreement.

The government's plan for organizing industry in cartels was before the Chamber throughout the month. Paul Marchandeau, Minister of Commerce, defended the bill before the Chamber on Feb. 14. Pointing out that bankruptcies had reached the alarming total of 1,447 for the month of December, 1934, he insisted that industry must be allowed to organize itself in such a way that overproduction and cutthroat competition could be restrained. Labor interests have been hostile to the plan, describing it as a proposal to reduce French labor to the "coolie level." Radical Socialists advanced the familiar argument that not restricted production but greater purchasing power was necessary to bring prosperity.

Seemingly more than a system of cartels will be needed to restore French business, which has steadily gone from bad to worse. The clearest indication of what is happening is given by the persistent rise in unemployment. By the end of February more than 500,000 were registered as unemployed—a total which was actually not more than a third of the real number out of work. In addition it was estimated that 48 per cent of French labor was not working full time. To care for this growing army of jobless the government has proposed work camps.

Though a public works program and a dole system are in effect, Premier Flandin opposes going further with either. He pins his faith on a revival to be brought about by lower interest rates, liberal credits and deflation. Officially, at least, he maintains his insistence that the franc must not be devalued and that inflation must be avoided.

After bringing great pressure on the Bank of France the government on Feb. 21 finally succeeded in obtaining thirty-day loans on short-term treasury bonds. Interest rates on such advances were fixed at 2⅝ per cent, compared with the regular rate on securities of 4½ per cent. Premier Flandin wanted the bank to reduce the rate on all security loans, but the regents refused. While the bank's concession was expected to loosen credit somewhat, it did not go far enough to meet the government's desires. Meanwhile, the spectacular fall in the pound sterling in late February and early March threatened to upset the French determination to maintain the franc.

The inability of the franc to compete in the world markets with devalued currencies has been manifest in the monthly foreign trade reports. In January, 1935, exports were valued at 1,451,000,000 francs, compared with 1,579,000,000 in December, 1934, and 1,514,000,000 francs in January, 1934. Imports, however, rose in January—from 1,849,000,000 francs in December, 1934, to 1,944,000,000 francs.

To high prices, resulting in part from French retention of the gold standard, is attributed the severe decline in the tourist business, once a chief source of French prosperity. In 1934 only 700,000 tourists visited France, compared with 2,125,000 in 1927. The invisible returns from this trade have dropped from 10,000,000,000 francs in the boom years to 2,000,000,000 francs.

A direct reflection of economic conditions is found in the Peasants' Front, an organization of farmers which among other things is opposed to the government's agrarian policy. Henry Dorgère, leader of the Front, urged during February that his followers start a taxpayers' strike and withdraw their funds from the savings banks.

So inflammatory did the leader's speeches become that on Feb. 28 the government asked that he be prosecuted. This demand led to heated exchanges in the Chamber of Deputies. Premier Flandin on March 1 told the Deputies that the Peasants' Front "need expect no quarter from the government." The Chamber supported his stand by a vote of 427 to 126..

When Frenchmen could forget their economic woes there were other public questions to consider. A proposal to grant woman's suffrage, ably championed by Mlle. Louise Weiss and *Le Matin*, was adopted by the Chamber on March 1. Agitation has been heard for extending military service to two years. While the international situation helps to explain this proposal, the fall in the number of available conscripts is the immediate cause. The lower birth rate during the war years is only now beginning to affect the man-power available for the army. Finally, the Stavisky affair still echoes through French life. The Parliamentary commission of inquiry on Feb. 20 absolved former Premier Chautemps and the late Georges Pressard, his brother-in-law, of complicity in the mysterious death of Magistrate Albert Prince.

THE FRENCH COLONIES

The French colonial empire, which seldom figures in the news, has sprung into prominence as a result of the Colonial Conference which for weeks has been sitting in Paris. The conference aims to establish the empire as an economic unit, to carry still further the trend that puts Algeria first among the customers for French goods and Tunisia and Morocco fifth and seventh.

Continued disturbances in Algeria indicate the need for changes in colonial policy. At Algiers on Feb. 26 3,000 dock workers pillaged the wine tanker Bacchus in a riot prompted by the introduction of mechanical loading equipment. At Mostaganem on the same day a riot of unemployed occurred.

These incidents are the result of the economic distress in Algeria, where there is a good deal of dissatisfaction over restrictions on exports to France. Taxation is heavy; the tourist trade has declined; and there is religious strife between the Moslems and the Jews, largely because the Moslems are not allowed to vote. In addition there is a political struggle in progress between the Governor and the Legislature. Official recognition of the need for action was given at the end of February when it was announced that Marcel Régnier, Minister of the Interior, would visit Algeria to study its problems.

BELGIAN LABOR'S DISTRESS

Belgium, even as France, apparently cannot find the road to recovery. At least there are no signs that the nation is moving toward better times. Foreign and domestic trade remains stagnant, while unemployment swells.

King Leopold on Feb. 10 signed a decree establishing a national labor commission to study unemployment and ways of combating it. All parties agreed to cooperate with the new body, with the result that eight Catholics and nine Socialists were included among its twenty-one members. The labor commission will have no easy time. At least 400,000 Belgians are without work and the unemployed are not accepting their lot philosophically.

A demonstration of the unemployed occurred on Jan. 29, when Parliament assembled, and a delegation from the workers was received by the King. Recent restrictions on the granting of

out-of-work benefits have aroused the ire of workers and Socialist leaders. At the end of January the coal miners threatened a general strike if the cuts in miners' pensions were not restored. The strike was avoided when the government agreed to reconsider the emergency decree reducing pensions.

No sooner had this threat been removed than another appeared. The Socialist party, in protest against the government's deflationary policy, particularly in regard to pensions and doles, organized a mass demonstration to be held in Brussels on Feb. 24. When the government, in the name of public order, forbade the demonstration, the Socialists declared that the Constitution had been violated. M. Vandervelde, the party leader, insisted that if necessary an appeal would be made to the country. Following a Parliamentary debate on the government's action a vote of confidence was taken; the government won by a narrow majority, 89 to 73. As further protest against the government, the Socialist members of the National Labor Commission resigned.

Meanwhile the Theunis government clung to its policy of deflation and loyalty to the gold bloc. An additional 2,000,000,000 francs was extended by the government to the banks in order to thaw out credits frozen in mining and industry. Moves to reduce retail prices continued. And government expenditures have been reduced drastically.

Camille Gutt, the Minister of Finance, submitted the budget to Parliament late in January. He estimated receipts at 9,842,454,000 francs and expenditures at 9,902,584,000 francs. The apparent deficit was expected to be wiped out during the debates on the bill. An extraordinary budget for public works, carrying 800,000,000 or 900,000,000 francs, was to be met by a government loan. M. Gutt declared that expenditures had been reduced 30 per cent since 1930, but pointed out that 41 per cent of all expenditures in the 1935 budget would have to go to fixed charges. Thus there is a limit to economies. Throughout the Parliamentary debate on the budget bill, the government insisted that deflation, not devaluation, would be pursued until Belgium had recovered its former prosperity. The government contended that its policies had brought Belgian prices into line with British, but the slump of the pound quickly endangered this precarious price structure.

To alleviate the social distress of the country, various measures have been adopted. Camps in which the unemployed may be taught a trade are being established. A back-to-the-land movement has been fostered by the Small Rural Property Society, which the government is financing.

Ultimately Belgian recovery depends upon a recovery of the export trade, the basis of the national economy. Former markets in Great Britain, France and the United States have been lost, at least partially, and new markets in Scandinavia, South America and the Far East do not compensate for this loss.

A reciprocal trade agreement between Belgium and the United States was signed on Feb. 27. Tariff reductions averaging 24 per cent were granted by the United States on forty-seven Belgian products, including plate glass, glass sand, cement, linen fabrics, lace and iron and steel products. The agreement was not nearly so sweeping as had been expected, and held out slight promise of any substantial improvement of Belgian trade with America.

The Return of the Saar

By SIDNEY B. FAY
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THE return of the Saar on March 1 filled the minds of the German people during the month of February. Before the formal transfer of the region many preparatory steps were necessary. Demilitarization of the territory, which borders on the already demilitarized Rhineland zone, was insisted upon by France and finally agreed to by the German Government. Other regulatory details concerning the transfer of the mines, railways and other State property, social insurance and tariff arrangements were settled by an agreement signed at Naples on Feb. 18. Meanwhile, a large number of Saar Communists and some Jews and Catholics—perhaps 10,000 in all—had gone into exile in France.

The customs houses at the border between France and the Saar were transferred by the French on Feb. 18, and the tariff barrier between Germany and the Saar ceased to exist. On the same day the monetary system was changed, German marks taking the place of French francs, which had been introduced into the Saar in 1923. It was estimated that by this exchange the German Government might be able to gather up nearly 200,000,000 francs, a sum smaller than had been hoped for, owing to the fact that millions of francs were transferred to French banks in the days following the plebiscite. The balance of the payment for the coal mines, amounting to 700,000,000 or more francs, will, therefore, have to be paid in deliveries of Saar coal to the French, according to agreement, during the next six years.

The British, Dutch, Italian and Swedish troops, which entered the Saar at the invitation of the League of Nations to insure a peaceful and orderly plebiscite, had been gradually withdrawn by the latter part of February. Chancellor Hitler appointed Joseph Buerckel as Nazi Commissioner for the Saar to take over the branches of the administration as they were relinquished by Geoffrey Knox, President of the Saar Governing Commission, and by the other League authorities.

A decree issued by Commissioner Buerckel on Feb. 19, just after the removal of the customs barrier between Germany and the Saar, forbade the sale or transportation into Germany from the Saar of many food products and certain other articles, including textiles. This was because living costs and the general price level have been lower in the Saar under League control than in Germany; it was felt desirable not to let the Saar prices move upward too suddenly. On the other hand, Germany has arranged to import an increased amount of Saar coal for the German railways and for some South German industrial plants, so that the Saar miners shall not suffer too much from the reduction in the amount of coal exported to France. To prevent German manufactures from flooding the Saar too quickly, Buerckel decreed that German export

firms must not send goods into the Saar without his authorization.

The return of the Saar on March 1 was symbolized by the hoisting of the Reich banner and the Nazi swastika over the building formerly occupied by the Governing Commission. Cheering, marching and music amid a forest of flags continued the celebration well into the night. The frenzy of delight reached its height with the unexpected appearance of Hitler himself. Standing bareheaded in the rain, he delivered a speech which was broadcast to the Saar and to millions throughout Germany. After thanking the Saarlanders for their loyal and overwhelming vote in favor of reunion with the Fatherland, he said amid cheers: "By this act of equality and justice the way has finally been cleared for improving our relations with France."

The return of the Saar to Germany, after the 90 per cent vote in the plebiscite, encouraged many Germans to agitate for Austro-German union and for steps toward the restoration of Eupen and Malmédy, which now belong to Belgium; Memel, where the German population has been oppressed by the Lithuanians, and the Free City of Danzig, whose foreign relations are under Polish control. In two local elections in Danzig in the Fall of 1934 the Nazis made notable gains, winning over 70 per cent of the votes. They also had a majority of 38 out of the 72 seats in the Danzig Diet, but the Catholics and Socialists were also strong. With the hope of weakening them, and possibly of creating a totalitarian State in Danzig on the German model, the Diet on Feb. 21 voted its own dissolution and ordered new elections.

GERMAN TRADE CONDITIONS

Chancellor Hitler in Berlin on Feb. 14 opened what was described as "the biggest automobile show on earth." His appearance demonstrated his intense interest in the motorization of Germany, which he regards as a most important factor in the fight against unemployment. There were on display 8,000 German and forty foreign automobiles. No American cars were represented, except the German-made Ford, because the German import control virtually excluded the possibility of selling or bartering American cars in Germany.

Internal trade continued good during January and February, though there was a slowing down as compared with 1934, owing to lack of raw materials and to export difficulties. The gross value of industrial production in 1934 was 51,000,000,000 marks as compared with 40,000,000,000 in 1933. Wages and salaries paid amounted to 29,600,000,000 marks as against 26,300,000,000 in 1933, and 44,500,000,000 in the prosperous year of 1929.

The Railway Corporation carried 310,000,000 tons of freight in 1934, as against 263,000,000 in 1933, while overseas shipping carried 45,000,000 tons, as against 39,000,000 in 1933. Internal waterways took care of 90,000,000 tons as compared with 78,000,000 tons in 1933. Individual firms shared in this improvement. The Krupp Corporation of Essen, for instance, showed a net profit of 6,700,000 marks for the fiscal year ended Sept. 30, 1934, in contrast to a net loss of 3,000,000 marks in the preceding year. No dividends were paid, but 61,000 employes shared in a distribution of the profits.

Speaking at the Leipzig Spring Fair on March 4, Dr. Schacht took a decidedly pessimistic tone. He admitted that his "import control" and the "clearance agreements" had not worked satisfactorily, and hinted at

the adoption of a more complete organization of Germany's entire industry in a concerted drive for increasing Germany's exports. While he disclaimed any intention of resorting to dumping or price-cutting practices, he announced that the premiums now being paid in barter deals which forced Germany to buy dear and sell cheap would cease. Heretofore Germany has been subsidizing exports at the expense of her creditors through "blocked marks," scrip and depreciated bonds, but these methods no longer sufficed and must, he insisted, be replaced by something more drastic. As usual, he proposed to ease Germany's attenuated balance of payments by a further reduction in Germany's debt-service charges and the application of a long-term debt moratorium to all creditor countries, including those now collecting German payments through clearance agreements.

Dr. Schacht also repeated that Germany needed colonies to supply herself with essential raw materials. And he again asserted that Germany would not follow the example of so many other countries in "currency devaluations which have brought such a big element of unsound and shady practices into international trade relations." But he did not note that the decision of the United States Supreme Court in upholding the devaluation of the dollar might eventually save the German Government some 1,875,000,000 marks on Germany's foreign debts.

This problem of Germany's exports directed considerable attention to an address before the American Chamber of Commerce in Berlin on Feb. 20 by Dr. Julius Lippert, the State Commissar for Berlin and the real ruler of the city. Speaking to "America's sober business sense," he appealed for the termination of the Jewish boycott in the United States against German goods. Recalling the profitable deals running into many millions of marks that used to be made between German exporters and American importers, he admitted that one of the principal causes for their decline had been the Jewish boycott in New York City. He cited figures to show how Germany had been forced to buy from other countries cotton that could have been obtained from the United States. He also tried both to justify and to minimize Germany's anti-Semitic legislation. Jewish organizations in New York, however, turned a deaf ear to his appeal.

Evidence from various sources indicates that there has been no marked change, either for better or worse, in the treatment of the Jews in Germany. Here and there court decisions modify the situation in their favor, but these are offset by other occasional decrees or rulings which stiffen the earlier legislation against them. As long as Hitler, who is fanatically opposed to the Jews, remains the all-powerful Leader, there is little likelihood that there will be any considerable amelioration in the condition of the Jews in Germany, however much it may be desired by some of the industrialists, business men, scholars and men of moderate views who reject such race doctrines as Dr. Alfred Rosenberg preaches.

Representatives of bankers of eight creditor countries met in Berlin in February to discuss with Dr. Schacht Germany's short-term obligations which for four years have been frozen under the so-called standstill agreements. These standstill credits, which stood at 6,800,000,000 marks in 1931, have been gradually reduced by Germany to 2,000,000,000, which was regarded as moderate in relation to

Germany's total volume of trade. In view of the foreign trade balance deficit the bankers' representatives had no alternative but to agree to a prolongation for another year—to Feb. 29, 1936—of the standstill agreement on these 2,000,000,000 marks. They also agreed to a reduction, with some exceptions, of ½ per cent in the interest rate.

Another financial measure, announced on Jan. 24, was called a "patriotic loan," but amounted virtually to a forced loan on the German savings banks and their clearing institutions. Its aim was to transform part of the government's floating short-term indebtedness into a long-term obligation and to provide more funds for work-creation projects to reduce unemployment. Under this plan the savings banks take over a loan from the Reichsbank, on behalf of the German Government, amounting to 500,000,000 marks issued at 98¼ and bearing 4½ per cent interest. Another decree authorized banks to reduce the rate on mortgages to 4½ per cent.

AUSTRIA'S FASCIST RULE

Dr. Kurt Schuschnigg, the Austrian Chancellor, has continued his policy of maintaining a watchful but tolerant and conciliatory attitude toward the two chief factions opposed to his Clerical-Fascist Government—the Socialists and the Austrian Nazis. Early in February he made a tour of several Austrian Provinces in order to get into closer touch with the people, and made many patriotic speeches to draw them to his support. He urged workingmen not to follow Socialist leaders in further opposition, and declared that his government distinguished between loyal Austrian workers and radical revolutionary agitators. Against the latter he would not hesitate to use force.

The anniversary of the civil war between the Vienna Socialists and the Dollfuss Government on Feb. 12, 1934, had been looked forward to with some anxiety. But it passed off without any dangerous political violence. Several clashes occurred between Socialist workers and the forces of the Heimwehr and government police, and some 200 arrests were made. But the Socialists contented themselves mainly with distributing leaflets and extinguishing their lights for three hours during the evening as a protest and in memory of their slain comrades.

Nazi agitation has been encouraged by the outcome of the Saar plebiscite. As a new form of propaganda, Austrian Nazis dropped small aluminum coins on the streets. The coins showed on one side a Saar factory lit up by a swastika functioning as a rising sun, with the date of the Saar plebiscite and the motto, "The Saar for Hitler-Germany"; on the other side another swastika and two more mottos, "Nation shall join nation," and "The Saar has shown it; Austria will prove it." After two years people had got tired of propaganda with leaflets, paper bombs and swastikas, but everybody bent down to pick up a piece of metal that at first sight looked like a real coin.

In the continuing trial of Nazis suspected of participation in the putsch against Chancellor Dollfuss, Fritz Hamburger was sentenced to life imprisonment on Feb. 13; he was charged with having been in constant telephone communication with the German Nazi, Habicht, at Munich during the weeks before the putsch, and with having tried to buy fifty revolvers just before the attack on the Austrian Chancellery. The trial of Anton Rintelen, who was supposed to be slated as Dollfuss's successor and whose ac-

tivities at the time of the Nazi revolt are surrounded in some mystery, began on March 2.

Late in February Dr. Schuschnigg, accompanied by his Foreign Minister, Dr. Egon Berger-Waldenegg, paid official visits to Paris and London. According to various rumors, the conversations with the French and British authorities touched on one or all of three things: further financial assistance to Austria; the securing of French and British assent to a future restoration of the Habsburgs, with a change of the Clerical-Fascist government in a more democratic direction; or, more probably, support for Austria as an independent State and for participation as such in the Franco-British negotiations with Hitler for securing the peace and status quo of Central and Eastern Europe.

SWISS MILITARY SERVICE

Even the Swiss, in their mountain strongholds, have not remained immune from the wave of fear and suspicion and consequent belief in increase of armaments which swept over most countries during the past Winter. Although their neutrality, established by the Congress of Vienna in 1815, has never been seriously infringed, many Swiss have felt that the citizen militia needed a little longer period of training. Rudolf Minger, who became President of the Swiss Federal Assembly last December, has been active in the movement to strengthen the country's defenses. He captured the imagination of the peace-loving Swiss people by appearing at army manoeuvres on horseback wearing a Prince Albert coat and derby hat. Mussolini's aggressive imperialism on one side and Nazi activities and intrigue on the other have seemed to some Swiss to threaten their country. With the building of the great line of fortifications along the Eastern border of France, the Swiss have feared that in case of a new Franco-German war the Germans might try to go through Switzerland, instead of Belgium.

The Swiss Parliament therefore adopted a law in September, 1934, for extending the period of military training obligatory on every able-bodied citizen. Though adopted by an overwhelming vote of 291 to 11, it was disliked by the Socialists and still more by the Communists, who secured enough names to a petition to compel the law to be submitted to a national referendum. This was held on Feb. 23 and brought 80 per cent of the voters to the polls, an unusually high number. The referendum indicated an unexpectedly large opposition to the proposed measure, the vote being 506,845 for and 431,902 against.

By this new military law the infantry, artillery and engineers will train eighty-eight days, the cavalry 102 days, and the aviation and motor units seventy-four days. This means that the infantry will see twenty-three days more of training, the cavalry twelve more, and the artillery thirteen. Even this training, of course, is extraordinarily brief in comparison with that of countries with universal military service where between one and three years is usually required. The increased training in Switzerland applies only to the recruits' first year. For the seven following years they serve only eleven days annually, after which further training for all below the rank of sergeant is not required.

Italy Mobilizes for War

By WILLIAM E. LINGELBACH
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ITALY seems bent on war with Abyssinia. Mussolini early in February ordered the mobilization of 250,000 troops—two entire divisions of the class of 1911, three classes of marines and fifty battle planes. Ocean liners and other vessels were impressed for transport service to carry the expeditionary forces and supplies to Eritrea and Italian Somaliland on the Abyssinian border. At first the censor suppressed all news of the military preparations, but on Feb. 23 removed the restrictions.

No sooner was the ban lifted than the press burst forth in violent war talk; the entire front page of some papers was devoted to the prospective war with Abyssinia. All agreed that "Italy would have justice at any price." Mussolini's vigorous speech at the embarkation of the first contingent of the expeditionary force voiced the popular spirit—"Italy must be prepared for any eventualities." Exact news of the movement of troops is, of course, not to be had. Soon after the restrictions were lifted and the reporters given access to the Official Press Bureau, Mussolini suddenly ordered all dissemination of news stopped save by word of mouth at the War Office.

The immediate cause of this warlike turn in Italian affairs arose out of the border disputes between Italians and Ethiopians during the past months and a serious clash in the first week in February. Both powers appealed to the League of Nations. Mussolini at first demanded the expulsion of Abyssinia from the League altogether; later he sought an indemnity of $44,900 from Abyssinia, an official apology and a formal salute of the Italian flag. In the meantime, he has prepared for all "eventualities" in another direction. The assent of both France and Great Britain was manifestly secured for his imperialistic venture in Africa in return for support of the Eastern Locarno and the Franco-British Air Pact. These thorough diplomatic and military preparations will, it is expected, not only prevent a repetition of the set-back to Italy's colonial ambitions under Crispi's government in the Nineties, but will also wipe out the disgrace of the defeat at Adowa in 1896.

Italian control over Abyssinia with its estimated population of between 8,000,000 and 10,000,000 would open up extensive possibilities for development and exploitation. The country is reported to be rich in many of the raw materials Italy needs—iron, copper, oil, lead, mica, gold, silver, platinum, ivory, carbonate of soda and coffee. Moreover, like France's African colonies, it would be an important reservoir of man power for Italy in any future European war.

That the imperialistic move on the part of Italy is in part dictated by the troubled domestic situation is admitted. Added to the depression and consequent economic difficulties is the disparity between the needs and ambitions of a vigorous and prolific people handicapped by limited natural

resources. According to *Azione Coloniale* the moment for the "opening of a new chapter in Italian colonial history" has arrived. The Italian press of late has given much attention to colonies. All comment on the Franco-Italian colonial accord has agreed that great advantages can flow from the cooperation in Africa of the two Mediterranean powers.

In addition to the fact that the nation has become more and more colonial-minded in recent years, there is also the fact that it has been strongly impregnated with the spirit of militarism, whipped up to a high pitch by propaganda speeches and articles and by the introduction of intensive study of military history and training in the schools. Altogether, national enthusiasm both from the colonial and the military point of view is so strong that it will be difficult for Mussolini to avoid pushing matters to extremes even if he should not wish to do so.

The economic and financial effects of the military venture quickly appeared. The stock market fluctuated violently and prices sank while the lira weakened on foreign exchanges. During the week of Feb. 10, Italian securities, government bonds and concession loans lost several points. The weakness of Italian credit was again emphasized, and despite the strenuous steps to mobilize all foreign credits it is becoming more and more apparent that Italy is the weakest member of the gold bloc countries. What the cost of the military venture will do to the budget, which had been developed with so much care, remains to be seen. The economies made in the revision last month did not touch the increases for the Ministries of Colonies, Air and Navy. Nevertheless, a costly colonial war may easily prove disastrous to the gold standard.

Further measures for the protection of the lira were taken during the month when drastic restrictions on the importation of goods from abroad were again set up. At the very time when negotiations with the United States for a new trade accord were being prepared, the barriers against the importation of many products in which American exporters are especially interested were raised. The import of wheat, flour, meats, silks, certain types of steel, tractors and radio tubes was temporarily forbidden by Ministerial decree. The increased yield of Italian wheat, together with the accord with Hungary providing for heavy importation of wheat from that quarter, apparently makes Italy less eager to import American wheat, which, in other years, was valued at about 95,000,000 lire. Moreover, Italian credit in the United States has suffered greatly in recent years by the falling off of emigrant remittances, shipping services and the displacement of Italian by Japanese silk.

The import quotas set up during the month called forth a vigorous protest from the American Consul General, George K. Donald, on behalf of American firms trading to Italy. The new quota regulations, it was urged, would cut American importation on many articles between 10 and 30 per cent. On Feb. 19 an administrative order closing the frontiers in the north resulted in the piling up of great quantities of French goods at Modana. Indignant protests deluged the Ministers of Commerce and of Foreign Affairs, but without avail, and France began to talk of reprisals.

These measures to protect the gold standard are causing much disturbance in Italian commercial circles,

while industrialists are amazed at the order that employers must pay the workers who are called to the colors their full wages for three months, one-half wages for another three months, and restore them to their old jobs when they return from the war.

Statistics published during February reveal the amazing fact that the birth-rate has fallen off greatly since the Fascist régime was set up in 1922. Despite all Mussolini's propaganda, the people have not responded to the appeal for increased reproduction which, according to the Duce, will alone enable the nation to "live dangerously" and rise to the spirit of the great hymn of fascism, Giovinezza. The Fascist press of the country pictures the population problem with alarm. According to *Il Popolo d'Italia,* the decline in the birth-rate since 1922 amounts in the aggregate to 2,370,000, a loss equal to four times that sustained by Italy in the World War. It points out that this falling off means the loss of 1,000,000 soldiers for the defense of the country, adding that "1,000,000 men can decide the fate of the nation."

Troubled Spain

A FEW days before the Spanish Cortes reassembled on Jan. 29 Premier Lerroux succeeded in reorganizing his Cabinet without conceding increased representation to Catholic Popular Action. Señor Rocha was made Minister of Foreign Affairs and another member of the Prime Minister's Radical party became Minister of Marine. The readjustment, although agreed to by Gil Robles, was unwelcome to the rank and file of Catholic Action because they are anxious to bring about better relations with the Vatican and would like to have one of their own group at the Foreign Office.

Gil Robles, in supporting Lerroux, showed his anxiety to maintain the coalition with the Radicals and their friends, the Agrarians and Democrats, till the constitutional reforms, so vital to the program of Catholic Action, have been secured. That the coalition is a precarious one at best is clear, for the ideals of the two groups differ so widely that only necessity holds them together. The newly organized Republican party led by Martinez Diario has drawn a number of Radicals away from Lerroux, while the new national bloc made up of the extreme Right of Catholic Action is bitter in its attack on Gil Robles for his compromise policy.

Outside the Cortes, Left Wing Republicans and Socialists have reorganized and under the leadership of a former Cabinet Minister, Don Felix Gordon Ordas, Deputy from Leon, are directing a dangerous attack against the government for the "cruel and ruthless repression" of the October insurrection. Quoting from the official reports of the government, Ordas issued a bitter indictment of its policy in a 200,000-word pamphlet, which the press has been forbidden to print. Charges of torture, assassination and inhuman conditions in the prisons are made against the "criminals of repression," and popular feeling is being widely aroused.

This, added to the fear that the Syndicalists, with their 2,000,000 followers, may decide to reverse their policy of non-participation in political affairs and go to the polls in the municipal election in April to check what the Left calls the most dangerous threat of clerical influence since the

days of the old monarchy, is causing Gil Robles a good deal of worry.

Unless Gil Robles cooperates with Premier Lerroux, the much desired constitutional reforms cannot be effected. The able young leader of Catholic Action has shown himself ready to make any reasonable concession in regard to the personnel of the Ministry in order to accelerate the constitutional revision which was so seriously interrupted by the October revolt. At the same time he has insisted upon the appointment of members of his party as Governors of sixteen out of the forty-nine Provinces. Since the censorship and other repressive measures will doubtless continue, the importance of these appointments from the point of view of the elections is self-evident.

In the meantime, the Ministry and the Cortes are confronted with a series of problems that call for real statesmanship. On the side of constitutional reform there are the questions of Church and State, education, the new electoral law, and the status of Catalonia, while on the side of administration and legislation there are the problems of law and order, the censorship, agrarian reform and, last but not least, the falling off in revenue and the difficulties of balancing the budget. The heavy drain on the Treasury caused by the insurrection and a decline in revenue of 53,000,000 pesetas have increased the deficit to 592,000,000 pesetas, or approximately $88,000,000. According to the official report of the October revolt, 1,378 persons were killed and 2,921 wounded, while 63 public buildings, 56 churches, 26 industrial plants, 58 bridges and 730 private dwellings were either destroyed or seriously damaged.

In connection with the gun-running that supplied arms and ammunition to Asturian miners for the revolt, Catholic Action, on Feb. 20, moved that the Attorney General file charges against ex-Premier Azaña and a member of his Cabinet, Santiago Casares y Quiroga, for complicity in the affair. As a counter move, the Socialists inaugurated a spirited campaign against the carrying out of the death sentence passed upon two former Socialist Deputies, Teodomiro Menendez and Gonzales Pena, who directed the revolt in Oviedo and robbed the Oviedo branch of the Bank of Spain of 2,000,000 pesetas. In a clandestinely printed copy of a revolutionary manifesto they urged a national demonstration "against the imposition of more death penalties on the proletariat by our oppressors."

The government, however, is using every precaution. The suspension of constitutional liberties continues in some Provinces and on Feb. 5 the Cortes began the serious consideration of an extremely drastic press law in the face of vehement protests from the journals of all parties. Even the monarchist paper *ABC* found itself for once in accord with the rest of the press. The bill provides for immediate enforcement of the censorship by Ministerial decree and without the approval of Parliament in cases of insurrection, epidemics or war, a great disaster or public calamity, during important judicial hearings, the negotiation of political and commercial treaties and during elections. A deposit of not less than 10,000 pesetas and not more than 100,000 is to be exacted as a guarantee before authorization to publish is given any newspaper or periodical.

These measures, added to regulations already in force fixing the price of daily newspapers at 10 centimes and forbidding dailies to publish Sunday evening or Monday morning editions, are an indication of the reac-

tionary tendencies in the Cortes. The bill also provides for the control of the newer means of communication, like the phonograph, radio and moving picture. Already one evening paper has been fined for publishing an extract of the law without government authorization. To overcome the use of immunity accorded by the Constitution to members of the Cortes, the bill forbids Deputies from being owners or editors of newspapers. Offenses under the new law, if it is passed, are to be judged by a special court.

Economically the effects of the October revolt are still manifest. Farmers are suffering from overproduction, the bumper crops of 1934 exceeding the average by more than 36,000,000 bushels. A large gathering of farmers at Valladolid during the month demanded that the government buy 22,000,000 bushels, set aside 200,000,000 pesetas credit for advances to the farmers and the control of the grain market. They also want all importation of cereals and fodder stopped.

Relations with the Vatican have improved greatly since the New Year. The mission of Pita Romero, former Minister of Foreign Affairs, to the Holy See, together with the strong pro-Catholic sentiment of the Cortes, has brought about a change in the attitude of Papal circles. The appointment late in January of six Bishops to the Sees of Oviedo, Lerida, Plasencia, Huesca, Salamanca and Cartagena has contributed toward better feeling in Spain. W. E. L.

Civil War in Greece

By FREDERIC A. OGG
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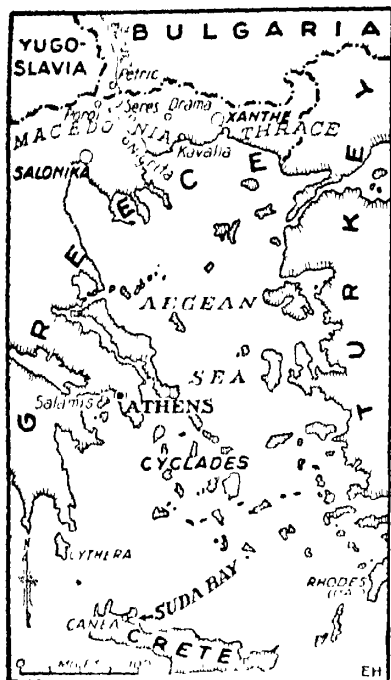
A MILITARY and naval revolt which apparently had been long planned broke out in Athens on March 1. In the capital the trouble was soon localized in two strategic positions—the army officers' school and the barracks of the Presidential guard of Evzones, situated on the slope of the Acropolis. Two loyal Athens regiments quickly ended the uprising at the officers' school, but the Evzones garrison surrendered only after hours of severe and destructive fighting. Five warships in the harbor were seized by the rebels, who forced the crews to put to sea and head for Crete. Pursued by government planes, which rained bombs upon them, the craft escaped, although damaged.

Under hastily declared martial law, Athens was reported as quiet. But that the Tsaldaris government was in a quandary was indicated not only by its frantic attempts to explain away the uprising and to induce the populace to refrain from demonstrations but by the hasty replacement of Minister of Marine Hadjikiriakos by Admiral Douzmanis and of Foreign Minister Maximos by Premier Tsaldaris and by wholesale dismissals of army and navy officers whose loyalty was suspected.

The revolt took on a more serious aspect—assuming, indeed, the dimensions of civil war—when disturbances which broke out in Macedonia and Thrace led to furious fighting be-

Scene of the Greek Civil War

tween government troops and the rebels. It gained broader political significance, too, when it became known that it not only had the full endorsement of ex-Premier Venizelos and his supporters but was in truth a coup engineered by Venizelos and General Nicholas Plastiras, which aimed at forestalling the threat to the Greek Republic which these and other leaders have repeatedly pointed out is implicit in the policies of the government headed by the monarchist-minded Tsaldaris.

Venizelos, since his unsuccessful attempt to defeat Tsaldaris at the polls, has been living in retirement in Crete, that stronghold of Venizelist sentiment. The leaders of the first outbreaks were themselves Venizelists, and a part of their plan is supposed to have been to take the ex-Premier aboard one of the rebel vessels and bear him to Athens, there to assume leadership and perchance to resume power, as Premier or even as dictator. On Feb. 21, after three postponements, the trial of sixteen persons accused of attempting to assassinate the ex-Premier opened in the capital. It is not unlikely that the uprising was timed to take advantage of popular emotion stirred by this event.

As the civil war spread, the neighbors of Greece strengthened their frontier guards and waited watchfully, while French and British war vessels steamed into Piraeus to protect their nationals. Bulgaria was particularly concerned, and the concentration of Bulgarian troops on the frontier within easy hearing of the Greek cannonading held possibilities not pleasant to contemplate.

Turkey and Yugoslavia were also aroused, and on March 7 Bulgaria's delegate to the League of Nations, M. Antonov, handed to Secretary General Avenol a memorandum charging that the Ankara Government had moved six divisions into European Turkey near the Bulgarian frontier, was making feverish preparations for war and was inciting the border population against Bulgaria without cause. Cemal Husnu, the Turkish delegate to the League, denied that his country had unfriendly intentions toward Bulgaria, but subtly intimated that the movement of Turkish troops was the result of the Greek disturbance. He criticized Bulgaria for taking military measures along the Greek frontier to which Turkey, as Greece's ally, could not remain indifferent. On March 9 M. Antonov announced that because of "friendly explanations now proceeding between Sofia and Ankara" he had withdrawn his charges against Turkey.

Charging the Bulgarian Government with violating the Treaty of Neuilly by increasing the national

army beyond the 33,000 men allowed, General George Kondylis, Minister of War, announced on Feb. 14 that Greece would expend $15,000,000 on new fortifications along the Greco-Bulgarian frontier in East Macedonia and Thrace. It was reported simultaneously that the Balkan Entente was considering a joint protest to the League of Nations against Bulgaria's armament policies.

The union of Dodecanesians living in Athens protested to the Secretary General of the League of Nations on Jan. 30 against alleged Italian terrorism over Greeks in the Dodecanese Islands. The union supported the Dodecanesian demand for a plebiscite under League auspices to enable the inhabitants to decide whether the islands shall remain Italian or return to Greece. Orthodox churches in the island of Kalymnos remained closed, with doors draped in black, as a token of passive resistance on the part of the Greek population.

THE POLISH CONSTITUTION

Another milepost on the leisurely road leading to a new Constitution for the Polish Republic was reached on Jan. 18, when the Senate adopted with certain modifications the draft passed by the Sejm on Jan. 26, 1934. The amended text was thereupon returned to the originating body, and has only to be accepted by it to make the process complete.

The changes introduced by the Senate related chiefly to two matters—the powers of the President and the composition of the Senate itself. As it left the Sejm, the instrument gave the President power to issue decrees only when countersigned by the Premier and the head of the department concerned. For this guarded provision the Senate substituted another entitling the Chief Executive to issue decrees quite independently and with the full force of law. The change was in line with the general disposition to make the President a more important figure, and in particular to endow him with weighty powers of arbitration between the Cabinet and the Sejm or other bodies.

As for the Senate, the draft which passed the Sejm provided for the choice of members by an electoral college consisting of citizens recognized as leaders in the republic. The Senate's draft, however, provided for appointment of one-third of the number by the President of the republic and election of the remainder by whomsoever, and in whatsoever way, an ordinary statute, to be enacted later, might prescribe.

Meanwhile, the existing Constitution, adopted in 1921, is for all practical purposes suspended, if not obsolete. In particular, the preponderance which it assigns the Legislature as compared with the Executive has been completely reversed. The length of parliamentary sessions has been drastically curtailed, and not only has the dictatorial government a heavy majority, but it has been granted full power to govern by decree when the chambers are not in session.

As part of the movement for constitutional revision, the government admitted its intention to modify the status of Upper Silesia. Under existing law, the province, since the plebiscite of 1922, has had its own Parliament of forty-eight members, along with general political and economic autonomy. Though the government's plan has not been disclosed, it seems likely to include the abolition of the separate Parliament.

Stirred by reports in the American press that the unemployed in Poland number as many as 2,500,000, the American Polish Chamber of Com-

merce issued a statement in February placing the figure at only 501,300. Even this figure, it was admitted, is the highest in the last three years.

CZECHOSLOVAK POLITICS

In the coming Autumn the six-year mandate of the Czechoslovak Parliament elected in 1929 will expire, and at some date in the meantime a general election must be held. Already the parties are preparing, and it is thought possible that the polling may take place before Summer.

Like other Continental States, the republic is handicapped by an excessive multiplicity of political parties, and these parties, in the case of each of the nationalities into which the population is divided, run into double figures. The present government hopes before the election to correct the difficulty, so far as may be, by fixing a minimum of popular votes which shall entitle a party to representation in the Chamber. But it remains to be seen whether a plan can be worked out which, while eliminating petty groups and factions, will not be open to the charge of unfairness to minorities.

Despite the fact that the existing government coalition includes groups so diametrically opposite as Social Democrats, Agrarians, anti-clerical National Socialists and Catholic Populists, and despite the further fact that two of the largest parties of the German minority are included, it yet retains cohesion. Even in these months before the election, it is taking steps to carry out an ambitious program which will meet the needs of the agricultural population, of the working classes and of consumers. Included in the formidable list of tasks is the reform of taxation, provision of work for the unemployed, readjustment of conditions in the coal industry and the introduction of a forty-hour working week. Whatever its measure of success in dealing with these matters, there is at the moment every indication that the present government will survive the election, or at least be succeeded by one of generally similar character.

UNCERTAINTY IN HUNGARY

A kingdom without a king, and a land governed precariously under a Constitution (dating from 1920) that is at best a makeshift, Hungary can hardly be expected to display genuine political equilibrium. The domestic situation has of late, however, been exceptionally unsettled, and many observers agree with the editors of *Ujsag* that events are speeding toward an important change of régime.

Prominent among the personalities involved is Tibor Eckhardt, leader of the Independent Farmers' party, to whom it fell to represent his country at Geneva during the inquiry into the Marseilles murders and Hungary's responsibility for harboring terrorists. The chief issue is electoral reform, brought to the fore several months ago by the announcement of a government plan for changes. Eckhardt, since his resignation, on Jan. 30, as delegate to Geneva, has led the growing criticism of the Goemboes régime. In a conference of the government party during the first week of February, attended not only by Premier Goemboes and other members of the Cabinet but by ex-Premier Bethlen, a dramatic and wildly applauded attack was made upon Eckhardt. In later weeks the situation grew more tense.

After two years, the Goemboes government, which was reorganized during the first week of March, has reached the end of its resources in foreign policy and sought to save itself by concentrating its whole force upon domestic matters. Three projects, in

particular, were pushed, and bills dealing with them were hurriedly submitted to Parliament. One proposed to increase the powers of the Regent; a second was designed to put into effect a press law of 1914 which, even at the time of its passage, was condemned as reactionary. The third would reform the franchise laws, abolishing oral voting in the rural districts where it still survives. The constituencies would be redrawn but age requirements (twenty-four for men and thirty for women) would not be liberalized. Indeed, a serious new restriction would be imposed, especially upon the working classes, by requiring continuous residence in one place for a period of two years. Led by Eckhardt, the Opposition denounced this electoral measure with peculiar vehemence, arguing that, if passed, it would mean a still further decline in the level of the Hungarian Parliament and insisting that before any bill on the subject is considered, the principles of a desirable reform should be considered at length by a special Parliamentary commission.

When Parliament convened on March 5, a message from the Regent dissolving the body was unexpectedly read. Whether or not this would lead to the establishment of a Fascist régime few knew, but Premier Goemboes's opponents feared that it would.

BULGARIA'S CABINET CRISIS

The circumstances under which the Bulgarian Cabinet was displaced on Jan. 22 by a Ministry presided over by General Petko Zlatev stirred much discussion in succeeding weeks. The new Premier on Feb. 24 gave the country his own explanation in a lengthy radio address in which he declared that Colonel Gueorgiev, the former Premier, mistaking himself for a Mussolini or a Hitler, had sought to deprive King Boris of his constitutional powers and had even aimed at converting the country into a republic. Independent power to appoint and dismiss Ministers and army officers had been sought; members of the Cabinet had been forbidden to confer with the King except by the Premier's permission; photographs of the King and reports of public demonstrations in his honor had been restricted and even forbidden. Refusing longer to tolerate such policies, the army had withdrawn its support from the dictator and established the new régime. The ex-Premier categorically denied the allegations and, in particular, ridiculed the notion that he had inclined to republicanism. As the debate proceeded, however, it became clearer than before that the nation, unmistakably devoted to King Boris, approved the change.

One consequence of the overturn was the elevation of an exceptionally competent man, Professor Yanaki Mollov, to the important post of Minister of National Economy. Though bringing to the position no hard and fast five-year plan, Professor Mollov holds positive and enlightened views on the country's economic needs, and in so far as he can contrive it, a broad program of betterment will undoubtedly be carried out. Since agriculture is the chief basis of the nation's subsistence, efforts will be made to persuade or require the peasants to raise crops that will bring the best returns in the world market, less grain and more tobacco, hemp, cotton, fruits and oil-bearing seeds. Industry is also to be rationalized, particularly with a view to increasing the use of Bulgarian agricultural and other raw materials.

Notwithstanding increased restrictions imposed by authoritarian governments, communism is admittedly

growing in most, if not all, Balkan States. Particularly is this true in Bulgaria, where not only the ranks of labor but the army and the schools have been penetrated to a degree that alarms conservatives and moderates. Within recent months serious Communist plots have been uncovered in at least ten towns and cities, and in Philippopolis—the second largest Bulgarian municipality—repressive measures have gone to the length of suppressing all labor organizations.

ELECTIONS FOR YUGOSLAVIA

Premier Yeftich on Feb. 5 announced the dissolution of the Yugoslav Parliament. Elections are set for May 5, with the new chamber to meet on June 3. The dissolved Parliament was the first chosen after establishment of the dictatorship and was elected under a law which required open balloting and which practically prevented any group except the government party from putting up candidates. At the time of dissolution it was widely reported that Premier Yeftich intended to inaugurate a new electoral policy under which candidates might be presented not only by the old parties but by any new ones that might come into being.

Hope, however, was dashed when, on Feb. 15, a former governmental group, the Yugoslav National party, was forbidden to publish an electoral statement. Before the end of the month it became fairly clear that candidates of opposition parties would not be allowed to enter Parliament if elected. Prince Paul was understood to favor an election that would freely test the opinion of the nation, but his wishes in the matter seemed likely to be overborne by the determination of the majority of government leaders to cling to office at all costs and by the readiness of the two other regents to support them.

Finland's Language Conflict

By RALPH THOMPSON

LAST Autumn the Finnish Cabinet published a bill intended to regulate the use of Swedish in Helsinki University. Scandinavians at home and abroad protested; even stronger objections came from Finnish nationalists, who declared that the measure was too mild and demanded that university teaching be purged of the Swedish language. But the government, mindful of the minority linguistic rights guaranteed by the Constitution, refused to be moved, and on Jan. 17 convoked a special session of the Diet to consider the original bill.

This step had unexpected results. Finnish-speaking students in the university promptly went on strike, and not until Jan. 31 did they return to their classrooms. Mass meetings and demonstrations outside government buildings, the defacing of Swedish signs—even the explosion of a small bomb—indicated the strength of feeling. In the Diet, meanwhile, the Opposition began a series of harangues with the obvious purpose of preventing the bill from passing. For days the speeches continued, and as the time fixed for the end of the session drew near it became plain that no definite action was possible. On Jan. 28

President Svinhufvud declared the session ended and the measure was shelved until the Diet reassembles.

Nationalist sentiment did not subside at this, and early in February several hundred representatives from all parts of the country came together in Helsinki to demand a national referendum on the language question. Prime Minister Kivimaki told the delegates that no referendum would be allowed, but, not to be put off, they decided to intensify their agitation and to urge the public to support only genuinely Finnish enterprises. Two Cabinet Ministers belonging to the Agrarian party, which stands with the Nationalists on this issue, were expelled by the party council for supporting the government position.

Sweden, though indignant over the popular attitude in Finland, has thus far issued no official remonstrance. On the contrary, the Riksdag early in February passed by an overwhelming majority the government bill providing for the teaching of Finnish in primary schools along the Finno-Swedish frontier.

THE MEMEL TREASON TRIAL

The taking of testimony in the Memel treason trial came to an end shortly before the close of February. In tenor the concluding evidence hardly differs from that given earlier. It would be rash to draw from it an evaluation of the conflicting cases, to declare that Lithuania has a genuine grievance or that German sympathizers are being falsely accused. The witnesses for Lithuania present one national point of view; those for the defense another. What constitutes "truth" in such a situation?

As the Kaunas proceedings dragged on during the early weeks of February, there were renewed cries in Germany against Lithuanian "injustice." The *Westfaelische Landeszeitung*, official Nazi organ, spoke of Memel as the "Saar of the East" and called again for a plebiscite there. Students of the University of Berlin on Feb. 12 engaged in a spontaneous demonstration against high-handed Lithuanian methods and demanded that the powers guaranteeing Memel's autonomy examine the situation and restore to German Memellanders their rights.

Jonas Novakas, Lithuanian-appointed Governor of the territory, on Feb. 28 told a correspondent of *The New York Times* that although Lithuania sincerely desired peace, she would brook no German advances—and would fight them if necessary. Five regiments of Lithuanian troops, it was said, were posted at strategic border points. Thus a long-standing controversy appears to be nearing an acute stage. If the polite and formal proceedings of the Kaunas court room were one fine day interrupted by the confusion of armed conflict, who could profess surprise?

NAZIS IN SCANDINAVIA

Not in Memel alone are the Nazis active. Both Denmark and Sweden have during the last few months watched the Hitlerite bogy reappear, and both have made further moves against the establishment of national socialism within their borders. Denmark's chief worry is her Slesvig territories, which, as the plebiscite of 1920 showed, contain a considerable number of German-minded residents. The Swedish problem is not one of race or geographical contiguity, but the country is none the less subject to recurrent Nazi tremors.

In Sweden and Denmark alike there have been in effect for over a year regulations that forbid the existence of political organizations of a military character, or the wearing in public of

any kind of political uniform or emblem—regulations obviously directed against Nazi parties. The parties still exist, however, more or less obscured.

Last September Herr Lembcke, the Danish Nazi leader, ordered the dissolution of his group on the ground that many of the members were of questionable character, but this was not its end, for Copenhagen police have from time to time since September arrested persons for illegal Nazi activity. In October a Socialist Deputy to the Folketing declared that Germany was distributing funds in Danish Slesvig and was thus gaining on her goal of overwhelming the Danish elements there. Early in 1935 another spokesman declared that high officials of Flensburg, a city just over the German frontier, were the leaders of a well-organized movement to detach Slesvig from the rest of the kingdom.

The Swedish struggle is colored by the fact that a Swedish National Socialist party actually exists and is represented in certain elected legislative bodies. But Nazi doctrines make no appeal to the country as a whole, and the Social Democratic government of Sweden has no intention of allowing the country to become a hothouse for their development. Liberal newspapers of semi-official character like the Stockholm *Social Demokraten* or the Gothenburg *Ny Tid* miss no opportunity of exposing so-called German propaganda, and there is little question that certain recent disclosures have shown deliberate efforts to influence Swedish public opinion. On Feb. 14 Gothenburg police arrested eleven Nazi leaders and seized a store of pamphlets, uniforms and weapons. Documents taken at this time were said to prove that the National Socialists, in their anxiety to overthrow the present Social Democratic government, had formed an alliance with local Communist groups.

Soviet World Relations

By Edgar S. Furniss
Dean of the Graduate School, Yale University

American relations with the Soviet Union have, as a result of the abrupt collapse of the debt negotiations, been left somewhat in doubt. The failure to settle the debt question has destroyed all hope of an immediate improvement of our export trade to Russia, thus depriving recognition of the principal benefit expected from it. Since the Soviet Union is now classed as a defaulting nation, it is subject to the provisions of the Johnson Act. Thus the door to American credits from private sources is virtually closed, while abolition of the Export-Import Bank has removed the mechanism through which government credit might have been extended.

The Soviet Union cannot easily enlarge its American purchases without credit assistance; and recent developments have made it unnecessary to accept ungenerous conditions. Various nations are competing with each other to advance credits on easy terms. France in December arranged a 1,000,000,000-franc credit for a fairly long period at low rates of interest. Since

early Fall Germany has maintained an offer of a 200,000,000-mark credit, which the Soviet Union is now prepared to accept since the terms are even more favorable than those offered by France. Great Britain, too, has made liberal offers to the Soviet purchasing agencies.

Apart from favorable credit relations with other countries, the bargaining position of the Soviet Union has been strengthened in other respects. Outstanding foreign obligations, which at one time were dangerously large, have been reduced to little more than $100,000,000. The year's trade and exchange operations are expected to produce a favorable balance of some $150,000,000. Soviet gold production in 1935 is expected to total $250,000,000. Russia, no longer under the necessity of begging for trade favors, can now disregard the adverse effects of American credit policy.

American political relations with the Soviet Union have also been damaged by the failure of the debt negotiations. The event has evoked an outburst against Russia by those who have consistently opposed the recognition policy. The American Government, too, has shown its displeasure, or at least its uncertainty as to the future, by making substantial reductions in its diplomatic establishment in Russia. A Department of State press release on Feb. 6 announced the decision in these terms:

> The following changes in our representation in Moscow have been ordered:
> The Acting Naval Attaché will be withdrawn;
> The Air Attaché will be withdrawn;
> The Consulate General will be abolished;
> Reductions will be made in the personnel of the Embassy.

The Soviet Union has been so much preoccupied with other international problems that relations with the United States have received little attention. The developing situation in Europe and in the Far East has convinced the Kremlin that the danger of attack persists. As a result an active part is being taken in European diplomatic manoeuvres.

The Soviet attitude is stated as follows: Poland, having given up hope that France will go to war to protect her against German aggression in East Prussia, has shifted her policy so as to substitute Germany for France as principal ally. An agreement has been reached between the two countries to give East Prussia back to Germany in exchange for German military support of Poland's designs on Lithuania, with both to engage in an attack on the Soviet Union for the purpose of taking over a major part of the Ukraine. Japan is expected to aid this enterprise by engaging the Soviet Union in the Far East.

As proof of this Soviet view, some evidence has been presented by the Kremlin, including allegations of German-Polish intrigue in the Ukraine and White Russia, as well as apparently definite information of a secret agreement between the two countries. Hitler's early avowal of designs on Russia and Rosenberg's public proposal in London to seize Russia's western provinces created an atmosphere favorable to the growth of these suspicions. The repeated rejection by Germany and Poland of Russia's invitation to subscribe to pacts guaranteeing the territorial integrity of Eastern European nations has lent support to the Soviet interpretation, while Japan's refusal of a similar invitation covering the Far East has supported Soviet fears of collusion among her enemies on both fronts.

The validity of the Soviet interpretation is not important. What is important is that this interpretation has determined recent Soviet foreign policy. The security pacts on which

the Soviet peace program is based have been nullified by the abstention of Germany and Poland. Russia has therefore sought a rapprochement with France and the Little Entente, in both cases successfully. How great a change of outlook this involved is shown by Russia's abandonment of policies once regarded as unalterable.

The Soviet entry into the League of Nations last year is an example of such a change of front, for Russia has consistently condemned the League as a puppet of imperialist States. Molotov explained to the Congress of Soviets on Jan. 28 that the withdrawal of Germany and Japan from the League leaves its membership composed of States who "for one consideration or another" share Russia's views of the problem of peace in Europe. Joining the League gave the Soviet peace program the support of these States; and it was a necessary step toward affiliation with France and the Little Entente, these governments having urged the action as a condition of the proposed rapprochement.

Even more striking is the change of policy with respect to Rumania—Russia's sudden and complete abandonment of her position in the dispute over Bessarabia. There could be no cordial relations with the Little Entente until peace was made with Rumania. This was so important to the present Soviet foreign policy that Russia conceded everything at issue; gave Rumania formal assurance last Spring that the claim to the disputed territory would be surrendered, and within the past month arranged to return the Rumanian State treasure which has been held in Moscow since the Revolution.

A summary of the Soviet Union's present relationships in Europe will show to what extent the new policy has succeeded. Russia's smaller neighbors on the west are bound to her by pacts of non-aggression. The Little Entente, which holds the pivotal position in Central Europe, is now working in close harmony with the Soviet Union; this draws in the Balkan League, to which two members of the Little Entente belong. Independently of this indirect affiliation, Russia has formed an alliance with Greece and Turkey, and within the year has resumed relations with Bulgaria.

But this is not all. The success of Soviet policy in Eastern Europe, inspired by distrust of Germany and Poland, has caused France and Great Britain to seek Russia's cooperation. This was shown by the French invitation on Feb. 17 to comment on the Anglo-French proposals to Germany resulting from the London conference on Feb. 3. France aimed in part to strengthen her own position in relation to Great Britain, since the latter country had shown some disposition to give in to the German counter-proposal that the suggested air pact be concluded first and the other items of the Anglo-French proposal be postponed for later discussion. The Soviet answer, contained in a communiqué of Feb. 20, endorsed emphatically the French position that the program for European stability outlined in the London accord be considered in its entirety or not at all, and that Germany be required to answer on those terms. It is a novel thing for the Western European States to acknowledge that Russia must be consulted with regard to their own foreign policy.

The fact is that M. Laval had promised the Soviet Union before entering the London conference that he would agree to no arrangement that did not include the Soviet scheme for an Eastern pact of mutual assistance. It is also known that, failing the consum-

mation of such a pact, France has agreed to an alliance with Russia. In the west of Europe as well as in the east the situation is such as to give the Soviet Union a position of influence she has never before enjoyed.

SOVIET MILITARISM

The war fears that are shaping Soviet foreign policy are also a dominant element in her domestic program. The most obvious effect is to be seen in the rapid expansion of the Soviet military establishment. Vice Commissar for Defense Tukhachevsky informed the Congress of Soviets on Jan. 30 that the Red Army had increased from 562,000 in 1932 to 940,000 in 1934. The original military budget for last year was 1,665,000,000 rubles, but the actual expenditures were 5,000,000,000 rubles. The budget for the present year calls for 6,500,000,000 rubles.

The weakest link in the Soviet military equipment is the railroad system. For two years the government has tried to effect improvement by means of severe discipline, even punishing with death railroad officials and workmen who blundered. Now a complete reorganization and rehabilitation of the railroad structure have been decided upon. L. M. Kaganovich, next to Stalin the outstanding figure in Russia today, has been appointed Commissar of Transportation with dictatorial powers. He has been given an appropriation of over $200,000,000 to expend this year on new equipment and modernization.

THE CONGRESS OF SOVIETS

The Congress of Soviets, which adjourned on Feb. 6 after a ten-day session, resolved to reform the Constitution by making the electoral system more democratic. The secret ballot is to be substituted for the former method of vote by show of hands in open meeting. The system of indirect elections through a hierarchy of governmental organs, whose effect was to give the voter direct suffrage only in the local Soviets, is to be abolished. Hereafter the people will vote directly for all the other representative bodies.

The former system, which gave the urban population five to one representation as against the peasants, is also abolished in favor of complete electoral equality. The previous electoral system was designed to facilitate control by the Communist minority; and the changes are evidence of the government's confidence in the loyalty of the general population. Premier Molotov stated that the ultimate objective of these reforms was the democratic ideal of free, secret, direct and universal suffrage. But he also warned the country that all organized opposition parties remained illegal.

The Congress also elected the new Central Executive Committee to wield sovereign power for the next two years. This body of 605 members at once re-elected all the former members of the Council of Peoples Commissars, and also all seven of the former Presidents of the constituent republics of the Union. The higher officialdom of the government remains therefore virtually unchanged. The Central Executive Committee added Joseph Stalin to the Praesidium—a group of twenty-seven which is legally supreme between the infrequent meetings of the committee. Though this is not unprecedented, Stalin does not usually occupy a post in the central administration, since he prefers to wield his power through his unofficial position as party chief. While these elections were taking place, the party filled the places on the all-powerful Politburo left vacant by the assassination of Kirov and the death of Quibyshev. The two men elected were A. I. Mikoyan and V. J. Chubar.

Turkey's New National Assembly

By ROBERT L. BAKER

THE cynically minded historian who holds that every reform movement must ultimately be overtaken by complacency and inertia is more likely than not to be wrong in the case of Turkey. President Mustafa Kemal Ataturk in his determination to Westernize and modernize his country continues as energetically as ever to drive Turkey from one reform to another in rapid succession. Ancient institutions, customs and habits of thought have been upset. The Sultan-Caliph, the Moslem religious orders, the fez, the veil, the seclusion of women, the Arabic Koran, Moslem law, the old alphabet, traditional Turkish music--these and many other things thought to be inseparable from the Turkish people have gone by the board. And as long as Mustafa Kemal Ataturk is at the helm it seems unlikely that Turkey will be allowed to rest on its laurels.

In its latest reform, Turkey, one of the youngest of republics, has outdistanced France, where the republican tradition is nearly a century and a half old. This has been to give Turkish women the vote and the right to hold office in national politics. Since 1930 women have taken part in municipal affairs, and the decision of the President and the Grand National Assembly to enfranchise them fully was based upon the satisfactory manner in which they had discharged those minor duties of citizenship. By a unanimous vote of the Assembly on Dec. 14, 1934, the Constitution was amended to permit some 2,000,000 Turkish women to vote and to become Deputies. A month later they took part for the first time in primary elections, and on Feb. 8, as a result of the secondary elections, seventeen women became Deputies in the Turkish Parliament. When the Fifth Grand National Assembly met at Ankara on March 1 they were loudly cheered by their male colleagues on taking the oath to preserve the sovereignty of the nation and never to forsake republican principles.

Sixteen of these women Deputies are town-bred and highly educated. Ten are teachers, four are municipal councilors, one is a physician and two are farmers. One of the farmers is an Anatolian peasant who has made an admirable record as Mayor of her village. As special attention is being devoted to child welfare and social questions generally during the present session, the women are expected to play an important part. And their fine record for economy as municipal councilors will probably be extended to the field of national finance.

The present Grand National Assembly differs from its predecessors in still another respect, since four of the new Deputies elected with the approval of the People's Revolutionary party include a Jewish physician, a Greek throat specialist, an Armenian banker and a lawyer who describes himself as an Orthodox Turk. Independents in the new Assembly, among whom the four just mentioned are included, number fifteen, instead of five as in the previous Parliament.

While these Independents do not constitute an Opposition, the increase in their number is due to the desire of the People's party to have more discussion and criticism in the Assembly.

Mustafa Kemal Ataturk was re-elected President of the republic at the opening of the Assembly on March 1, and the Presidency of Parliament fell to Abdul Halik Renta, former Minister of Finance. The only change in the Cabinet was the appointment of Zekai Apaydin in place of General Kazim Ozalp as Minister of National Defense.

The new Grand National Assembly numbers 399 Deputies, an increase of 82 over the previous one. This was due to the reapportionment of seats on the basis of 40,000 inhabitants instead of 50,000 and to an increase in the population since the last general election.

Three French financial experts are now in Turkey studying certain phases of Turkish finance. When their work is finished they will recommend a number of fiscal reforms.

EGYPTIAN AFFAIRS

Egypt's reform Cabinet, under the leadership of the independent Liberal, Nessim Pasha, has been engaged since it took office last November in reorganizing and purifying the administration. Freed from the unwholesome influence of the palace by what amounted to a political revolution, Nessim has ousted inefficient and grafting officials and eliminated sinecures. The greatest problems—those of a new Constitution and new elections—have been postponed, but the country is confident that the Premier will deal with them when he has completed his housecleaning.

One of Nessim's first reforms was the creation of a separate Ministry of Commerce and Industry, to begin work in May. Hitherto the functions it will assume have been inadequately supervised by a bureau in the Ministry of Finance. In Great Britain as well as in Egypt this change is viewed as highly constructive and promising. The only criticism has come from a section of the Arabic press which resents the government's decision to entrust the organization of the new Ministry to a high official of the Overseas Department of the British Board of Trade. Yet it is to be remembered that Great Britain is Egypt's best customer and the heavy trade balances in Egypt's favor in recent years have caused dissatisfaction among British exporters. Agitation in England for more advantageous reciprocal trade relations with Egypt may have had something to do with the selection of a Board of Trade expert.

Recent figures indicate that prosperity is slowly but surely returning to Egypt. For the first eleven months of 1934 exports amounted to 27,752,995 Egyptian pounds, as against 25,336,480 for the same period in 1933 (the Egyptian pound is worth about $5). Imports for the period were 26,570,108 Egyptian pounds, as against 24,217,295 in 1933. The foreign trade balance has been favorable since 1932.

State finances are also satisfactory, revenues for the year 1933-34 amounting to 32,630,223 Egyptian pounds, as against expenditures of 30,548,711 pounds. Half of the surplus of nearly $10,000,000 was devoted to exemptions in agricultural taxation, while the other half was added to the Reserve Fund.

A contract has been awarded by the government for the strengthening of the Assiut barrage, made necessary by the raising of the Aswan dam. Tenders have also been invited for the rebuilding of the Delta barrage.

The work at Assiut will cost over $5,000,000.

RECLAMATION IN IRAQ

Relying upon the large royalties which it expects to obtain from the Mosul oil fields, the Iraqi Government has launched an ambitious three-year plan for the reclamation of the area between the Tigris and Euphrates Rivers below Baghdad. For three thousand years this land has been desolate, but in ancient times it was famed for its fertility. In the effort to make it arable again about $6,000,000 will be spent on building a great dam across the Tigris at Kut-el-Amara and an irrigation canal. Preliminary work has already begun, all the heavy machinery needed having been brought to the dam site from Basra. Actual construction will begin after the subsidence of the Spring floods in June.

DEATH OF EX-KING ALI

Ex-King Ali of the Hejaz, who had been living in Iraq since he abdicated his throne on Dec. 20, 1925, died at Baghdad on Feb. 14 at the age of 55. With his brothers, the late King Feisal of Iraq and the Emir Abdullah of Transjordania, Ali supported the British during the World War. He conducted the siege of the Turkish garrison in Medina and led the Arab auxiliaries against the Turks in Palestine toward the end of the war. Upon his father's abdication in October, 1924, Ali succeeded to the throne but was himself forced to abdicate before the advance of the fanatical Wahabi tribesmen from Central Arabia under the leadership of Ibn Saud.

Japanese Pressure on China

By GROVER CLARK

WHILE no important new agreement has so far been signed between Tokyo and Nanking, the Japanese Government has apparently continued its pressure on the Nanking authorities to come to terms. Chinese Government leaders, who seem to have about made up their minds that the Manchurian situation cannot be altered for the present, have begun to show interest in an understanding with Japan. Official reticence and press censorship have kept out of the papers anything like details of the discussions in progress, but a number of developments have disclosed the trend.

Dr. Wang Chung-hui, China's most distinguished jurist and a man high in Chinese Nationalist circles, though not at the moment in office, stopped off in Japan about the middle of February on his way to resume his work as Associate Judge of the World Court at The Hague. He called on practically all the important officials in Tokyo, from the Premier down. He told newspaper men that his visit was purely private, and that his calls were simply to explain conditions in China. But he also is quoted as having said: "We desire the cooperation of Japan in every field. The friendly help of the Japanese people is earnestly requested. We want to study concrete measures."

Even more significant of the changing attitude of the Nanking officials was a speech on Feb. 20 by Wang

Ching-wei, President of the Executive Council and Foreign Minister at Nanking. In the course of a talk to the Central Political Council of the Nationalist party on the Chinese-Japanese situation he said, according to the cabled reports: "It is quite certain that a rational solution of the fundamental issues between the two countries will be obtained." He also commented favorably on Foreign Minister Hirota's speech to the Japanese Diet on Jan. 22 and added that if the two countries "do not cling to their immediate interests nor mind their temporary feelings, but show mutual sincerity," friendly cooperation would be possible. When these remarks were called to General Chiang Kai-shek's attention a few days later, he expressed himself as fully in accord with Mr. Wang's views.

The cabled dispatches do not reveal Chinese opposition to this swing to Japan by the Nanking leaders. There is little doubt, however, that a good deal of feeling exists, and that the lack of reports is due to censorship of the cables and of Chinese newspapers.

Toward the end of February reports began to circulate that the Chinese-Japanese discussions had reached the point of considering a substantial Japanese loan to China in the form either of cash advances or of credits for the purchase of Japanese goods. No one has explained where Japan would at present get the money for large cash advances to China, however much she might like to buy control in this way as she tried to buy it through the Nishihara loans in 1917-19. Payments for foreign obligations coming due in 1935, for the Chinese Eastern Railway and for the growing excess of imports over exports, will create a strain on Japan's ability to maintain the exchange value of the yen, which already is causing serious concern to the financial leaders in Japan. Credits for the purchase by the Chinese of Japanese goods would be another matter, because they would involve domestic rather than foreign exchange financing.

The talk of a loan by China to Japan, however, seems to have worried the British authorities sufficiently to cause them at last to make a gesture toward taking the initiative in countering Japan's expansion.

On March 1 the British Ambassador in Washington called on Acting Secretary of State William Phillips and discussed the Far Eastern situation with him at some length. Shortly thereafter press reports had it that Great Britain had suggested that the United States, Japan and France join with her in a loan to China. The official purpose of such a loan would be to help the Chinese Government get on its financial feet again, and to make possible much needed railway and other developments in China. Unofficially, and perhaps more vitally, the object would be to head off Japanese dominance in China.

If the British really have proposed a four-power loan to China in the way reported, they have furnished another glaring example of their occasional extraordinary ineptness in dealing with Chinese questions. Just before the end of 1926, Great Britain addressed a memorandum to the principal Western powers and Japan proposing that they unite to readjust their treaty relations with China. The proposals were in the most admirably liberal spirit. But Great Britain neglected to include China among those invited to take part in such a readjustment of treaties. Naturally, the Chinese interpreted the proposal as simply a move to reestablish, under British control, a "united front" among the powers. They became extremely indignant at this bland ignoring of their country

in a matter which concerned them so intimately. *This latest British proposal, to judge from the available reports, looks like another blunder of the same sort. Nothing has been reported to indicate that China has said she wanted a loan from the four powers, or that China even had been asked whether or not she did.*

Japan's response to the proposal was prompt and emphatic. Spokesmen at Tokyo made it clear not only that Japan would take no part in a joint loan, but that she would do everything to prevent it.

In the face of Japanese opposition a four-power loan to China is obviously impossible. A three-power loan might be, provided the British, French and American Governments were ready to make the loan on terms that left it inescapably clear that no political strings were attached. Only on such terms would the Chinese authorities accept a loan, unless under the sort of pressure that Japan may be preparing to apply. This, however, would in effect be a loan on the general credit of the Chinese Government without any pledge of specific security. Under present conditions it is difficult to believe that British, American and French bankers would be willing to take up Chinese Government bonds on such terms. Nor does it seem likely that the British, American and French Governments would advance any substantial amount of cash to China out of their own depleted resources.

In any case, it is rather late in the day for the Western powers to be talking about such half-way measures. If they are prepared to force the issue with Japan and to carry through to an effective demonstration their resolve to see that treaty pledges are kept, then it is foolish for them to talk simply of a loan to China. *If they are not prepared to go through to the end, it is even more foolish to raise petty irritations by talking of a loan to China, especially without consulting China.*

TRADE IN THE FAR EAST

Preliminary figures show a substantial increase in Japan's foreign trade in 1934 over 1933, following increases each year since 1931. Total trade for 1934 was 4,454,000,000 yen, as compared with 3,778,000,000 yen for 1933, an increase of 17.9 per cent. This brought the total up practically to the peak figure. Exports, however, increased proportionately less than imports, rising 16.7 per cent as against 19.1 per cent. The total imports of 2,283,000,000 yen in 1934 exceeded the total exports of 2,172,000,000 yen by 110,606,000 yen, compared with an import excess of 56,174,000 yen in 1933 and 21,469,000 yen in 1932. This sharp increase in the excess of imports is causing considerable anxiety in Japanese financial circles, adding as it does to the demand for Japanese payments abroad at a time when the financial resources of the country and the government will be severely strained to meet other foreign obligations without causing a serious slump in the exchange value of the yen.

For the first time in Japanese history the exports of cotton piece goods exceeded in value those of raw silk, and became the most important item in Japan's export trade. Piece goods formed 22.7 per cent of the total exports in 1934, as compared with 13.2 per cent for raw silk. In 1934 Japan passed Great Britain in the number of square yards of cotton goods exported. By far the largest import item in 1933, as in previous years, was raw cotton, this making up 32

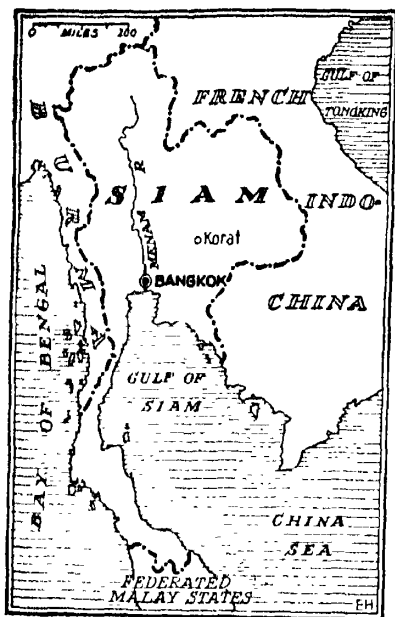
per cent of the total in 1934. About half the raw cotton was imported from the United States, most of the rest coming from British India.

In this connection it is interesting to observe that in 1934 the total American foreign trade increased over 1933 substantially more than that of Japan—21.2 per cent as against Japan's 17.9 per cent. American exports increased 27.9 per cent; Japan's, 16.7 per cent. American imports increased only 14.1 per cent, to Japan's 19.1 per cent. American trade with Japan was 8.7 per cent of the total trade of the United States in both 1933 and 1934, but Japanese trade with the United States was 25.7 per cent of her total. In other words, what was less than one-tenth of the business done by the United States with other countries was more than a fourth of Japan's total foreign business.

Furthermore, Japanese trade in 1934 with the countries in Japan's immediate neighborhood (Southern and Eastern Asia and the Pacific islands, including British India, Australia, China, Siam and so forth) was actually less than that of America. Excluding the trade with Japan, American trade with these Asiatic and Pacific lands formed 15.9 per cent of the total trade in 1934, and amounted to approximately $610,000,000, an increase of 30.5 per cent over 1933. Japan's trade with these same regions was something over half of her total foreign trade (precise figures are not yet available) and came to about 2,200,000,000 yen, or $550,000,000, the increase being just over 22 per cent. Manchuria in 1934 took 18.9 per cent of Japan's total exports, precisely the percentage taken by the United States and slightly larger than the share taken by Europe and Africa combined.

China's trade in 1934, largely as a result of the crisis in silver which was due chiefly to the American purchase policy, fell off sharply from 1933, in imports, exports and total. The excess of imports, however, decreased substantially. The drop in total gross trade was from 1,971,000,000 to 1,575,000,000 Chinese dollars, or 20.1 per cent. The exports were down from 612,000,000 to 536,000,000 Chinese dollars, or 12.4 per cent, while imports dropped from 1,359,000,000 to 1,039,000,000 Chinese dollars, or 23.6 per cent. The United States continued to lead in China's foreign trade, taking 18.5 per cent of the total exports, supplying 21.9 of the total imports, and doing 20.8 per cent of the total trade. Comparative figures for the Chinese trade with Japan were: Exports to, 15.2 per cent; imports from, 12.2 per cent; total trade with, 13.2 per cent. Cotton piece goods continued their decline in importance among China's imports, forming only 2.6 per cent of the total in 1934, compared with over 30 per cent in 1913. The most important import item was metals and machinery, which formed 15.4 per cent of the total in 1934.

The King of Siam Abdicates

After more than two and a half years of struggling for truly constitutional government in Siam in face of the determination of the Commander-in-Chief of the army and his clique to establish a dictatorship, King Prajadhipok on March 2 announced his abdication. In an accompanying statement he said that his intention "that the people should

Siam

have a real voice in the policy of the country has been ineffective" and that he realized there was no longer any way of his "assisting or protecting the people in the future." So has ended, for the time being at least, the strange drama in which this man, who formerly was the sole important absolute monarch left in a revolution-ridden world, has been struggling to establish popular control of his country's affairs.

This particular difficulty started on June 24, 1932, when Phya Bahol, heading an army clique, carried out a coup d'état and seized power in Siam. The King was invited to head a constitutional monarchy. He accepted, "on the understanding that Bahol and his associates would establish a constitution on the same lines as in all countries with constitutional governments of that kind, so that the people would have a right to have a voice in administration and in matters of policy affecting the welfare of the people." But Bahol, the King has said, did not live up to this understanding.

Last September, Bahol forced through the National Assembly amendments to the criminal codes which would have made the courts in effect an agency for the legal execution of political rivals. The King met this challenge with a threat to abdicate and a demand for genuine constitutional government. He was in England at the time. He stayed there. Representatives from Bangkok came to see him. He talked with them. Apparently Bahol and his clique would not agree to the changes which the King believed necessary if he were to stand as an effective bulwark between his people and a ruthless dictator. So Prajadhipok abdicated, declaring: "I am unable to agree that any party should carry on the administration in this way under cover of my name."

The abdication was not in favor of any particular person, nor was the statement addressed either to the Siamese Government or to the people at large, nor did the King turn over his power to any one else. He said simply: "I hereby renounce all the rights I had been asking, but reserve all the rights I formerly enjoyed before my accession to the throne." Consequently, no one is given the opportunity to accept or reject the abdication, but at the same time no one can force him to serve as King against his wish. Prince Ananda, his 11-year-old nephew, now in Switzerland, was asked to become King, and on March 5 accepted. Presumably a regency headed by Bahol will act during the young King's minority. G. C.

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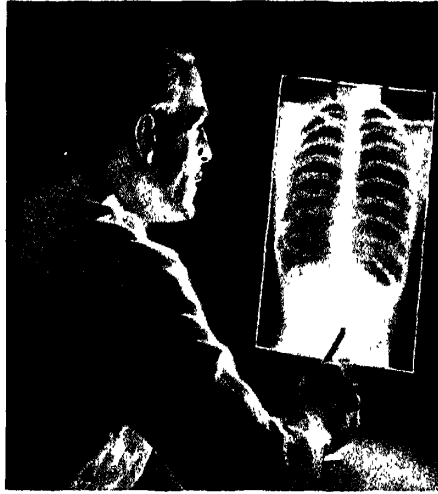
If there are hidden shadows of the disease, they are revealed by the penetrating eye of the X-ray.

THERE were fewer new cases of tuberculosis in 1934. The deathrate from this disease in this country was lower than ever before. But this good news from those who are resolutely fighting tuberculosis should not blind one to the fact that about 70,000 persons died last year from tuberculosis and that it is still the leading cause of death between the ages of fifteen and forty-five.

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A TRAVELER'S NOTEBOOK

WOULD the reader feel confident of finding these countries on the map—Suomen Tasavalta, Saorstat Eireann, Fistin, Misr, Eesti Vabariik, Lietuva and El Moghreb? They are the names by which their inhabitants know Finland, the Irish Free State, Palestine, Egypt, Estonia, Lithuania and Morocco.

* * *

London's subway escalators are equipped with light beams and photo-electric cells which automatically regulate their speed according to the number of passengers. The escalators travel at 160 feet a minute during rush hours, compared to 100 feet at normal times.

* * *

The Punchbowl, an old crater overlooking Honolulu, is being leveled by army engineers. During the excavations fifty human skeletons have been uncovered, bearing out a theory that the Punchbowl was once a sacrificial hill.

* * *

Queues have been forbidden by law in Shantung, and policemen are being equipped with scissors in order that they may separate violators from their braids.

* * *

Tokyo will be the world's largest city within thirty years if the present rates of increase of Tokyo, New York and London remain unchanged, according to Japanese statisticians. The population of the Mikado's capital on Oct. 1, 1934, was 5,663,350.

* * *

Colombia's Pacific Coast port of Buena Ventura offers a vivid view of the tropical jungle with a minimum of trouble and discomfort. A short trip by launch up the Agua Dulce River enables visitors to see the life and vegetation and hear the sounds of the primeval jungle.

* * *

The first luxury food-shop to be allowed in Russia since the beginning of the first Five-Year Plan was opened in Moscow in October. Fresh fruits, fresh meats, game and fish, and fresh vegetables and dairy products may be sold to any one able to pay the price. There is a similar shop in Leningrad.

* * *

Hawaii's annual Lei Day will be expanded into a three-day festival this year, beginning on May 1. Historic native games, last played in 1819, are to be revived.

* * *

"Make bullfighting safe for the spectators." This was the injunction given to a special commission by the Spanish Minister of the Interior last September. The reason for this action was that three onlookers were killed last season by flying swords which had been badly placed by matadors. Two other spectators who leaped impulsively into the arena to give battle to the bull lost their lives.

* * *

In a quiet garden in the heart of Paris is the Dépot des Marbres, to which republican France has retired from public view almost all the statues of crowned heads that used to adorn the city's boulevards and squares.

* * *

Energetic efforts are being made by the present Mexican Government to beautify Mexico City. Parks and gardens are being remodeled and many blocks of old buildings are being demolished to make way for new boulevards. In 1933-34 nearly $9,000,000 was spent on street improvements alone.

* * *

In the Lou Shou T'and in the Forbidden City at Peiping is the largest block of jade in the world. Seven feet high, and weighing about six tons, it is elaborately carved to represent the exploit of the legendary emperor, Yu, in bringing under control a flood that ravaged China several millenniums before Christ.

* * *

The world's greatest sanctuary for wild life is in Northeast Transvaal, South Africa. It is 220 miles long by 40 miles wide and lies between the Pretoria and Crocodile Rivers.

* * *

The well-known London tavern, bus and subway stop "Elephant and Castle" was originally "The Infanta of Castile." And in the Midlands of England is a tavern with the curious name "Goat and Compasses," which is said to have been derived from "God Encompasseth Us."

* * *

The following is a partial list of cruises scheduled for the near future:

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BERMUDA

April 18—Lafayette (French Line), seven days.

MEXICO

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April 15—Georgic (Cunard-White Star)
April 18—Haiti (Columbian), eleven days.

MEDITERRANEAN

June 29—Roma (Italian), fifty-four days

SOUTH AFRICA.

May 1—City of New York (American-South African), seventy-five days

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A MONTH'S WORLD HISTORY

Current History. Volume XLII, No. 2 May. Published Monthly. Publication Office, 10 Ferry St., Concord, N. H. Editorial and General Offices, The New York Times Company at Times Square, New York, N. Y. 25c a copy, $3 a year; Canada, $3.75, Foreign, $4.25. Entered as second-class matter October 6, 1930, at the postoffice at Concord, N. H., under the act of March 3, 1879. Entered in Canada as second-class matter.

THE WORLD IN BOOKS . . .

By *John Chamberlain*

THE past month has been noisy with rumors of wars, with jockeying by the nations for position, with bluffs and counter-bluffs. And by some prevision in the publishing house of Harper, there were three books ready to capture the imagination of the man excited by the headlines *Peace and the Plain Man*, by Sir Norman Angell ($2.50), *The Price of Peace The Challenge of Economic Nationalism*, by Frank H. Simonds and Brooks Emeny ($3), and Nathaniel Peffer's *Must We Fight in Asia?* ($2 50)

None of the authors has an atom of admiration for militarism, for armaments, for war, in his system Yet all of them disagree. They all want peace, but Sir Norman Angell wants a strong "collective system" or League of Nations, with the international police power to enforce the majority consensus of the members of the system Mr. Simonds despairs of a "collective system", and Mr Peffer can see no peace until such time as the nations socialize their economic systems and thereby eradicate the phenomenon of the troublesome capitalistic export surplus, which demands the eternal conquest of new markets or the wresting of old markets from competitors

When Sir Norman Angell argues about the economic waste of war, the unintelligence of war in a world of plenty the futility of competitive races for armaments (which must approach infinity as a limit once they are started), he is dead right, but he never comes to grips with the real reasons for war Very few men want war merely for the sake of war They do want certain things that are desirable from a standpoint of psychological satisfaction cultural satisfaction, comfort satisfaction and belly satisfaction And in pursuing these various objectives, nations must play politics, they must have recourse to balancing of power mechanics in order to strengthen their own individual hands, they must, in short, bluff And without the threat of force, whether expressed in words or latent in the consciousness of one's opponent, the game cannot be successfully played

Sir Norman does not recognize the fact that the balance of power game can and will be played within the orbit of a "collective system" just as it is played outside Whether one seeks one's allies around a green baize table, or by sending cipher messages to chancelleries that are hundreds of miles away, is, in the end immaterial Sir Norman's proposal, reduced to its lowest terms, is the familiar one that we can have peace if men will agree to have peace. They can agree within a "collective system" or without; they can likewise differ within the system as well as without (as Japan and Italy have shown). Sir Norman is offering us no panacea, but merely new machinery for domination by the strong.

* * *

Mr. Simonds, with the help of Mr. Emeny's maps and economic data, sees clearly the nature of the "collective system" set up at Geneva after the World War. He is a fatalist, which makes his book depressing reading, but it may be plausibly maintained that no cure is better than a false cure, or at least as good. The trouble with the League, says Mr. Simonds, is that it has provided no peaceful means whereby certain "hungry" nations--Japan, Germany and Italy--can satisfy their aspirations, which they conceive as just. Inside the League or outside the League, Germany has been confronted by the victors of the late war, and these victors have been unwilling to disarm, to lighten the reparations burden (until brute circumstances forced it), or to restore German-speaking peoples in Austria, Poland and Czechoslovakia to a single economic unit in Central Europe. Hitler is deplorable, but Hitler is the creation of Versailles, on the basis of Mr. Simonds's reasoning

As Mr. Simonds puts it, the allied nations can either acquiesce in the new German demands for equality in armaments and the restoration of "lost" peoples, or they can ring the Third Reich about with a band of steel, or they can call for a new deal all around. But the tragedy of the situation is that the same thing may result from any one of the three possibilities If the Allies acquiesce, Hitler may interpret it as the signal to jump on a wavering foe, if they encircle the new Germany, they may madden Hitler and provoke war; and if they call for a new deal all around there is no guarantee that any of the signatories to a new pact, replacing the forced Treaty of Versailles, will abide by the new decision.

There has been too much bad faith in the past years - bad faith on the part of the Allies, who have never seen fit to pay more than lip service to the principle of disarmament, and bad faith on the part of Germany,

Continued on Page VII

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CONTINUED FOLLOWING PAGE

Continued from Page IV

who has been secretly rearming. Of course, the Allies think that their bad faith has been the less heinous. Have they ever stopped to think that magnanimity is practiced far more easily by the strong than by the resentful weak?

* * *

Mr. Peffer sings the same tune for the Far East that Mr. Simonds sings for Europe. He thinks that modern finance capitalism, which has followed an unwavering course since its origins in the English industrial revolution, must play out its string to the end, with Japan, the United States and Europe all contending for the dominance of China and the Chinese market. Russia may enter the picture, but only, thinks Mr. Peffer, if Japan threatens to encroach on Russia territory, or if there is a chance to swing China to communism. Mr. Peffer cannot see Japan and Great Britain fighting: for one thing, Britain's Eastern empire is vulnerable and diffused, and for another, there would probably be a willingness on the part of London to divide the spoils of world dominance with Japan. But the United States, says Mr. Peffer, must collide with Japan over Chinese trade, and must fight for the privilege of sending both surplus goods and surplus capital to China. The fact that the United States has only a small economic stake in the Far East, says Mr. Peffer, will not prevent the fight.

* * *

Somehow, Mr. Peffer's reasoning is unconvincing for the immediate future. By the same type of reasoning, he could prove that we must fight with England for the dominance of the South American trade. We may,

Continued on Page XII

ADOLPH S. OCHS
Publisher of *The New York Times*
Born March 12, 1858, died April 8, 1935

CURRENT HISTORY

MAY 1935

Adolph S. Ochs: 1858-1935

THE death of Adolph S. Ochs, on April 8, 1935, removed the builder and guiding genius of *The New York Times*. Mr. Ochs was also the founder and publisher of CURRENT HISTORY, and it was from him that it derived its purpose and character as a related though independent enterprise of The New York Times Company.

Mr. Ochs's achievement assures him a well-defined place among great Americans, and, like not a few others among them, he was a self-made man. His parents could not afford to give him anything more than a scanty elementary education. Thus we find him as a boy of 11 already working hard to make his way in the world. But he had one great advantage over most other boys in his position, for his parents were each endowed with a finely sensitive character and a first-class education. They had fled from German repression in the days before the revolution of 1848 and settled in America. Here Adolph Ochs, their eldest child, was born at Cincinnati on March 12, 1858.

His first work was that of office boy to the editor of the *Knoxville Chronicle*. During the next eight or nine years he spent most of the time in various newspaper offices as printer's devil, compositor, reporter, assistant manager and advertising solicitor, acquiring an all-round knowledge of the business to which he was to devote the rest of his life. Incidentally, he seized whatever opportunities he could to make up for the shortcomings of his schooling, but his real education was what he gained in the intellectual atmosphere of his home and in the contacts of an eager and energetic everyday life.

Mr. Ochs was not yet 21 years of age when he became a newspaper proprietor by buying a half-interest in the *Chattanooga Times* for $250 and by assuming its debts amounting to $1,500. He stipulated that his half interest was to carry control, and later purchased all the stock. Although he had to borrow or owe most of the money, he embarked upon what nearly everybody else regarded as a hopeless venture. The paper had a circulation of 250 a day, and Chattanooga was then, as one observer described it, a "poverty-stricken village." To build up

a newspaper, therefore, meant helping to build up a city as well. But Mr. Ochs overcame the initial difficulties of keeping his paper alive and, as the years went on, not only made it a success, but also played a valiant part in the development of Chattanooga as an important and thriving community.

The importance of what Mr. Ochs did with the *Chattanooga Times* was that it foreshadowed the methods he was to apply on a larger scale when later he acquired control of *The New York Times,* thereby not only creating one of the world's great newspapers, but bringing about an epoch-making change in American journalism.

Hardly less important in the Chattanooga phase of his career was the impression the young publisher made upon the various prominent men, including President Cleveland, who from time to time visited the city. He thus became favorably known to citizens in all parts of the country, and it was through one of these visitors that he was offered the chance to buy the *New York Mercury*, which he refused, and then almost immediately afterward *The New York Times*, for which he at first declared he was not "a big enough man."

The New York Times had at one time been an influential journal, but by 1896 it had practically no circulation and was losing money in the most disastrous fashion. There seemed little doubt that if something could not be done to reorganize it, it would soon succumb. Despite his original reluctance to stake his future on what seemed a foolhardy gamble, Mr. Ochs determined to put forward a plan to save the rapidly expiring newspaper. Finally, backed by a letter from President Cleveland, he secured acceptance of his own terms—an opportunity to acquire full and absolute control for $75,000. On Aug. 18, 1896, he became the publisher of *The New York Times.*

From this point onward the story of Mr. Ochs and that of *The New York Times* become inextricably woven together. Yet it is the story of something more—the story of an idea, the idea of what a newspaper in a civilized community should be. To speak of an idea may sound like getting away from everyday realities, but the idea on which Mr. Ochs staked his fortunes was itself a reality, and *The New York Times* under his direction proved that the idea was sound in the most thoroughgoing and practical fashion.

American journalism in the late Eighteen Nineties was on the whole hardly a credit to the nation. There were, generally speaking, two kinds of newspapers. First, there were the political and personal organs which might or might not try to cover the news adequately and which might or might not possess the saving grace of some sort of literary quality. But they were essentially organs of opinion, and most of them were intensely partisan, waging war on their opponents with a zeal that frequently ran to unscrupulousness and downright mendacity. There was no idea that news was one thing and editorial opinion another; the two were so completely mixed up regardless of accuracy, common sense and good taste that many a news story was simply an editorial article in another form. The other type of paper that was now beginning to flourish was the sensational sheet that had no other purpose than to pander to everything that was vulgar, prejudiced and trivial; in short, this was that unlovely and scandalous kind of journalism known as "yellow."

Mr. Ochs's idea was that a newspaper should be simply a newspaper—that news should be presented objec-

tively, accurately and in proportion to the importance of the facts. It was not to be the mouthpiece of a political machine nor the purveyor of cheap and nasty sensationalism. The newspaper he wanted was to be "clean, dignified and trustworthy" and "to give the news impartially, without fear or favor, regardless of party, sect or interest involved." In other words, Mr. Ochs's conception of the daily recording of events was precisely that of the seeker after historical truth or the scientist at work in his laboratory—objectivity as far as it is humanly possible to attain it. The business of a newspaper man was to be fact-finding, to gather and present information about everything that was of concern to civilized people.

Except in the sense already indicated of wanting to carry out his idea of what a newspaper should be, Mr. Ochs differed from other illustrious journalists in American history by reason of his lack of desire to make *The New York Times* an expression of his own personality. He was not interested in being a prophet of his time or a crusader leading a cause. He was not interested in even being an editor, but the head of what he thought of as an institution serving the public as does a college or library or scientific organization; and the purpose of that institution was the practical and useful one of supplying information about the things that happened—news and still again news. That is why his place in American journalism is entirely different from that of Greeley, Dana and the lesser lights whose reputations were won on the field of the editorial page.

This idea of news for its own sake, however, did not mean that there was to be no expression of opinion. It meant that opinion was to be kept out of the news columns and confined strictly to where it belonged—on the editorial page. There Mr. Ochs let his views be known. But even on the editorial page he made a change. Instead of the old-time slashing savagery in which it was customary to write editorials, Mr. Ochs demanded a sense of fair play, a recognition of the fact that after all there was another side to every question and that those who held to it might be equally honest and sincere in their views.

News then was to be kept to the news columns and opinion on the editorial page. But giving the news meant all the news—"all the news that's fit to print"—and this involved no less adequate reporting of events, movements and utterances which might be entirely repugnant to the ideas of Mr. Ochs and his editors. Mr. Ochs was a Democrat in politics and a conservative in his general social outlook. But he was an independent Democrat who consistently refused to be the journalistic agent of a machine, while his conservatism was tempered always with sanity and tolerance. Thus it was that when Norman Thomas ran as Socialist candidate for President his followers found his campaign more fully and accurately reported in *The New York Times* than in any of their own party papers.

This, then, was the fundamental idea on which Mr. Ochs built *The New York Times* as a newspaper, and which he was largely instrumental in having accepted by newspaper men throughout the country. It is this achievement that may justify the future historian in saying that Mr. Ochs has been the greatest force for good that has until now been at work in American journalism.

Mr. Ochs's idea of what a newspaper should be involved something more than its mere application to the

content of *The New York Times* as it was when he became publisher. The idea, to be really effective, had to be carried out in the biggest possible way. It was not only a case of "news that's fit to print" but all the news. Hence began the building up of the largest staff of reporters, correspondents, special writers and editors that any single newspaper has ever yet employed. Not only had the events of the metropolis and the nation to be covered, but the important and interesting things that happened everywhere throughout the world. Spectacular as is the sight of the famous news room on the third floor of the Times Annex in New York City in the last hours before the paper goes to press, the staff at work there is only a part of the great force of men and women gathering the news and putting it into shape for next day's paper. In Washington there is a news bureau that keeps what is really a complete newspaper staff busy day and night. On the other side of the Atlantic, in London or Paris or Berlin, one again finds the offices of groups of correspondents that are still only part of a world-wide news service.

Much else has, of course, entered into the making of *The New York Times*. Mr. Ochs was a persistent and enthusiastic seeker after new methods in every department of newspaper organization and equipment. He kept up with every technical development in the transmission of news; he knew his business as a practical printer; he was keenly alive to the value of pictures; he had a close grasp of all the complicated questions of circulation, advertising and general management. But all these things were subordinated to what he conceived to be his function of recorder—to get the facts about what was going on in the world, to present them in the most fitting manner, to give the public, in short, a real newspaper.

Perhaps the greatest single feat accomplished by *The New York Times* and the one which more than anything else helped to give it primacy among newspapers was its comprehensive reporting of the World War. Day after day during all those four terrible years first-hand accounts by correspondents, official communiqués, documents and every other kind of material that could tell the great story filled the columns of the paper. It was a prodigious achievement, demonstrating exactly what was meant by "covering" the news.

At the same time it occurred to Mr. Ochs that there might be another useful way of recording the World War—in the condensed and more compact form of a monthly magazine, thereby providing scope for the treatment of aspects of the struggle for which space could not be found in the daily newspaper. This led to the decision, late in 1914, to establish CURRENT HISTORY, the purpose of which Mr. Ochs announced as that of recording "in historical form, impartially and without editorial comment, the social, economic, political and military developments which were growing out of the world convulsion." This magazine accordingly made its first appearance on Dec. 12, 1914, and a short time afterward Mr. Ochs placed it under the editorship of his brother, George W. Ochs-Oakes, who continued in that position until his death on Oct. 26, 1931.

Although CURRENT HISTORY was brought into existence to carry out Mr. Ochs's idea of a war magazine, when the conflict ended he decided that it still had a purpose, and its policy was therefore broadened to make it a record of the significant happenings throughout a changed

world. As it has turned out, the tumultuous events of the post-war period have made such a monthly survey even more necessary than during the war itself. Mr. Ochs's close personal interest in CURRENT HISTORY was shown when he visited the editorial offices only a few days before his death to repeat to the staff his views on the value of a clear and careful account of what was happening in the world from month to month.

Mr. Ochs's passion for the chronicling of events was characteristically enough made evident in the type of enterprise which enlisted his interest. Thus, when the learned societies of the United States desired to produce the great twenty-volume *Dictionary of American Biography,* Mr. Ochs provided $500,000 for its preparation.

But the great monument to Mr. Ochs's genius is *The New York Times* itself. In 1896, when he acquired it, the net paid circulation was 9,000 copies. At the end of 1934 this had increased to 460,000 weekdays and 725,000 Sundays. Mr. Ochs regarded this growth as "a vindication of the newspaper reader." But still more significant in its meaning to journalism was the fact that Mr. Ochs, adhering steadfastly to his ideals, proved that such a newspaper could be made notably successful. No part of Mr. Ochs's wide influence for good upon the newspapers of his generation was more important than his demonstration that a newspaper living up to the principles of dignity and accuracy which he had announced, could also, by enterprise in gathering worthwhile news, attract hundreds of thousands of readers. Mr. Ochs believed in putting back into the development of the newspaper and the improvement of its news service a large part of its increasing resources, so that the record of his publishership was one of continued progress.

Those who had the good fortune to serve under Mr. Ochs found his most striking characteristics to be his wisdom and sanity, his deep and genuine kindliness, his abiding sense of fair play and his high purpose and courage. No wonder that while leaders in every walk of life admired and respected his great newspaper, those who knew him personally felt the greatest affection for the man himself. The flood of spontaneous tributes from leaders in all walks of life that were evoked by his passing was impressive testimony to the fact that America had lost a truly great man.

Utilities and the Public

I—The Campaign Against the Companies

By WENDELL L. WILLKIE*

IN seeking the causes for agitation against privately owned electric utilities, it is not necessary to beat the bushes, employ staffs of private detectives or summon the aid of skilled economists and research experts, for they are as obvious as a well-worn English jest and by this time have come to enjoy vintage equally as ancient.

The fact that Congress now has before it the Public Utility Act of 1935, commonly called the Wheeler-Rayburn bill, which provides for the abolition of utility holding companies and places utility operating companies under the most onerous and restrictive regulation by the Federal Government, means nothing essentially new in the sustained campaign against the utilities. Throughout its course that campaign has tended progressively to depreciate the value of utility securities and to penalize all companies and all investors, whatever their policies, intentions or business concepts.

For a correct appraisal and appreciation of the situation it is necessary to understand that the Wheeler-Rayburn bill, destructive and punitive as may be its consequences, is only a phase—and unless the public intervenes perhaps not even the culminating phase—of the anti-utility drive which has been characterized by misleading publicity filling the columns of the newspapers for many months with innuendoes and generalizations and imputations drawn from isolated instances that are in no way typical of an efficient and responsible industry. Nevertheless, the campaign receives the important attention of the executive and legislative branches of the Federal Government during a session of Congress which should be primarily devoted to the most energetic attempts to bring about business and industrial recovery.

However much it might be imagined that the destruction of one of the country's leading industries would fit into recovery plans, the reasons for the agitation against the electric utilities are easily seen.

In the first place, the electric power industry, because of the noncompetitive nature of its operation, has been selected as the entering wedge for public operation by the school of thought which sincerely favors gov-

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ernment ownership of all essential industries. This group has been augmented since the World War by those who have become enamored with European social and political nostrums and who are allured by some academic or European ideal, which they seek to apply to American life and industry, although upon examination it is found to be impracticable in application or nonexistent in fact. The beliefs of these ardent advocates of public ownership partake of a presumption of more extensive investigation and superior wisdom, against which no amount of experience or factual presentation can prevail.

In the next place, we find that many candidates for political preferment see in the exposed nature of the electric utility industry, which has long been under regulation by the States, political opportunities too tempting to be resisted. Many politicians in national, State and municipal life have appreciated the value of any industry which serves 25,000,000 to 30,000,000 customers with monthly bills, or the large preponderance of families in any State, district or municipality, as fair prey for political attack and demagogy, despite the fact that the charge for electric current is one of the smallest in the family budget. In times of economic stress and suffering, the situation of a noncompetitive company serving virtually all families, even though it has improved that service continually at reduced rates, might readily be judged by the issue-seeking politician as one that could be capitalized for the advancement of individual political fortunes.

The utilities have offered a particularly obvious target during a prolonged depression, at a time when many other industries have been stagnant and the requirements for political issues correspondingly acute. Although new building operations of the utilities have been curbed somewhat during this period, the electric companies have, nevertheless, continued expansion. They have in general been successful and therefore subject to political attack.

Still another reason for the campaign is the vulnerability of the utilities because they are essentially a technical development, devoting their normal energies to engineering and construction work and possessing no natural means of articulation. The consumer rarely considers the service behind the light in his home or the fact that the electric utility is one of the few industries—if not unique in this respect—which can accumulate no inventory of its essential product and which must be ready to generate or obtain the current required when consumers, no matter how numerous, put in their order by turning on the switch.

Several years ago some of the important elements in the power industry undertook to advance more aggressively their side of the utility story. They were met by charges of propaganda and by the magnifying of isolated instances in this campaign on which the charges of propaganda were based. Thereafter the private utilities remained silent while the advocates of government ownership continued their campaign unabated. The latter had the advantage, from the news standpoint, of the much more spectacular side of the case, since it consisted of criticism and attack. And so for a considerable period the public and Congress got but one side of the utility story.

In many instances the case for public ownership was not presented on any basis either of logic or of a judicial weighing of the facts, but rather

in terms of downright misrepresentation and the worst kind of political buncombe. Politicians who sought to make a career for themselves by distorting the issue were aided by theorists who had never had even the remotest connection with the operation of a utility business and who would have left the world in darkness, cities paralyzed and the industries of the nation stilled had they suddenly found their ideas accepted and themselves vested with the execution and control of this highly technical and expanding business.

To further their partisan campaign the opponents of the utilities ransacked the goblin-infested garrets of prejudice and brought out the ogre of the "power trust" and the spectre of Wall Street control. It is a fact that most of the money used in extending and improving this industry has been raised in New York City. The industry is, nevertheless, one of the most popularly owned in the world. Its shareholders number something like 5,000,000 members of the conservative classes of the country and so are by no means confined to any select groups of New York bankers. Money has been obtained in New York, but it was money that came from all parts of the country to that market for investment.

This situation is not different from that obtaining in any other industry. The only reason it has assumed such importance at the present time is that the private utilities, more than any other industry, have been singled out for subversive propaganda and that until recently they have been for the most part silent in the face of continued misrepresentation and innuendo. Obviously one cannot go to a hamlet to raise money for the construction of great power systems.

General misunderstanding of the results of governmental operation of electric-power projects has also played its part. During the campaign against private utilities, much attention has been directed to the successful conduct of municipal plants. But, to understand the results of municipal operation, it is necessary to obtain a general picture rather than the record of some individual plant which may have had particular advantages of location, unusually capable management or other favorable factors. In the fifty years or more of the industry, 3,900 municipal plants have been established and more than half of them have been abandoned, leaving about 1,800 in existence today. In the last fifteen to twenty years, the mortality rate has increased.

Although municipal plants are free from taxes, their average rate for all classes of service is 15 per cent higher than the rate of privately owned utilities, which must pay an average of 15 per cent of their income in Federal, State, county or municipal taxes. Few municipal plants undertake any work to promote the sale of appliances which would build up their power load. Instances where they may have extended their facilities into unprofitable rural regions are almost unknown. Except where their plants are connected with the coordinated systems of private utilities, interruptions of the service are frequent. Yet the alleged advantages of municipal operation have been put forward as one of the most important arguments in the drive against privately owned utilities. No more impressive story of the disadvantages of public operation is to be found than in the study of such a large-scale enterprise as the Ontario Hydro-Electric Power Commission. Nevertheless, this project has frequently been urged as an example to be followed in the United States.

Much has been made of certain cases of mismanagement in the private utility industry. Owing to the prolonged agitation against the private utility industry, there is danger that many people have been or are being misled into the belief that the industry is honeycombed with so many grave abuses that government ownership or the most restrictive type of regulation by the Federal Government is necessary to correct them. But it should be remembered that, although the utility industry has for years been gone over with a fine-tooth comb by investigators, almost every instance in which mismanagement is charged occurred before 1929, during a period when overconfidence and misjudgment were not extraordinary in business. Even so, the examples cited are no less distasteful to responsible utility management and have been eliminated from the industry. At the same time, mismanagement, excessive write-ups, imprudent investment and stock manipulation were far less prevalent in the electric utilities than in other important branches of business activity. It is therefore absurd to saddle the utilities with responsibility for all the ills of an economic era that was marked by imprudence and fantastic speculation.

These are the chief causes of the agitation against private utilities in the United States. The campaign is not new, but in its present phase, with consideration being given to the Wheeler-Rayburn bill to abolish the utility holding company, it presents a most dangerous threat to the utility investor, to the consumer and to the public generally.

II—TVA Rates as a Yardstick

By JOHN E. RANKIN*

THE power question has now become one of the greatest issues confronting the American people, and so it will probably remain.

Electric power has literally changed civilization. It has given mankind an ascendency over the forces of nature never before attained. It has made possible not only improved lighting but also the use of machinery to bear the burdens of drudgery that have oppressed people throughout the ages.

One phase of this transition to the Power Age has been the development of hydroelectric energy, except for the soil our greatest natural resource. There is said to be enough latent power in America's navigable streams and their tributaries to light all the homes, cook all the meals and run all the machinery in the country. But the greater part of this power is now running waste to the sea.

There are two schools of thought on the issue of hydroelectric power. One holds that water power should be private property and should be used by private interests for private gain. The other believes that navigable streams are public property, national wealth, and should be used for the benefit of the American people as a whole. The writer belongs to the latter school.

Between these two groups the power war is being waged. The first major engagement opened at Muscle

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Shoals, and is now being fought along the entire TVA front. Forces are also being marshaled for a major engagement at Boulder Dam, and for others along the Columbia and the St. Lawrence Rivers. Skirmishes are taking place in every nook and corner of the United States, and echoes of the struggle are to be heard in every home. The issues in this war are clearly drawn and may be expressed in the old slogan, "Shall the people rule or the trusts control?"

Muscle Shoals is said to be the greatest hydroelectric power plant on earth, although it must soon yield first place to Boulder Dam. The power now generated at Muscle Shoals without the Norris Dam or the Wheeler Dam exceeds the combined physical strength of all the slaves set free by the Civil War. Boulder Dam will generate energy in excess of the combined physical strength of the entire manhood of the United States. This indicates the magnitude of these projects.

Two main issues stood out in the passage of the bill creating the Tennessee Valley Authority. Should the government, through the TVA, be given the right to build power lines and distribute power? Should the TVA have authority to build additional dams? To both questions Senator Norris in the Senate and I in the House said yes, while the opposition contended that the TVA should first be required to arrange for transmitting its power over the lines of private companies. They also contended that the TVA should not build additional dams until it had found a market for the power generated. This meant that no additional dams would ever be built. Some one aptly remarked that it was like a miller waiting for people to bring their grain to be ground before building his mill. After a protracted and bitter controversy, President Roosevelt came to our rescue, and the bill, as finally passed, contained Section 12, which gave the TVA the right to build its own lines, distribute power and build additional dams on the Tennessee River.

The passage of this measure in 1933 marked the beginning of a new national policy, as well as a turning point in American economic and social development. It was the first major step in a movement to insure to the people the full enjoyment of their great wealth of hydroelectric power at rates they can afford to pay.

When the TVA Act was passed the Muscle Shoals plant had been completed many years. But only a small number of its units were being operated, and the power generated by them was being sold to the power companies at two mills—one-fifth of a cent—per kwh., a rate that was declared to be just to both the government and the power companies. Bear in mind, when we come to discuss TVA rates, that the rate at which Muscle Shoals power was being sold was regarded as sufficient to compensate the government for its production. In fact, the government was making a profit on it. That rate was one-fifth of a cent per kwh.

One power company was buying this power at one-fifth of a cent at the Muscle Shoals plant and selling it just across the river in Florence, Ala., at 10 cents per kwh.—or at a profit of 4,800 per cent. No wonder private companies objected to the government's going into the "power business." It was all very well for the government to produce this power and virtually give it away, but when it came to distributing power to the American people at something like what it costs to produce and transmit it, that was another story.

The eastern border of the district

I represent in Congress lies only twenty-five miles west of Muscle Shoals. Yet domestic consumers in the region were paying 10 cents a kwh. for power which cost the power company only one-fifth of a cent at the dam. Whenever this was called to the company's attention, the answer was that the transmission and distribution of power were very expensive. Yet the people at Florence paid the same rates as did consumers 100 or even 200 miles away. The truth is that under normal conditions electric energy loses on an average about 5 per cent for every 100 miles it is transmitted. Now take 5 per cent of one-fifth of a cent and you will discover the transmission loss on a kwh. of electric energy between Muscle Shoals and Tupelo, Miss., a distance of a little less than 100 miles—one-hundredth of a cent!

The first TVA contract for the sale of Muscle Shoals power was made with the city of Tupelo. It was for twenty years and went into effect on Feb. 7, 1934. The TVA in that contract laid down what President Roosevelt calls the "yardstick"—the rates at which this power is to be delivered to the ultimate consumer.

The domestic rates under the contract are as follows:

3 cents per KWH first 50 KWH
2 cents per KWH next 150 KWH
1 cent per KWH next 200 KWH
0.4 cents per KWH over 400 KWH

At the time of the passage of the TVA Act the power company's rates to the domestic consumers in that area were as follows:

10 cents KWH first 30 KWH
8 cents KWH next 170 KWH
7 cents KWH next 300 KWH
6 cents KWH next 300 KWH
5 cents KWH excess

If we run this table up to 1,000 kwh., we find that the costs under the power company rates in effect at the time of the passage of the TVA Act and those under the TVA rates now in effect compare as follows:

	Power Co. Rates	TVA Rates
10 cents KWH first 30 KWH	$3.00	$.90
8 cents KWH next 170 KWH	13.60	3.60
7 cents KWH next 300 KWH	21.00	2.40
6 cents KWH next 350 KWH	21.00	1.40
5 cents KWH next 150 KWH	7.50	.60
1,000 KWH	$66.10	$8.90

For $8.90, under the TVA rates, a householder now buys 1,000 kwh. a month which would have cost him $66.10 under the power company rates in effect at the time the Muscle Shoals Bill was passed.

In determining rates, the TVA took into consideration every element of cost, adding even an item to cover the taxes a private company would pay. The indications are now that a further reduction will eventually be made. Instead of losing money, the TVA is actually making a profit, and the cities buying its power are also making a profit by retailing it at the rates set forth above—the Roosevelt "yardstick" rates.

What does this mean to the householder? Get last month's light bill and compare it with these rates as we go along. In Tupelo, under the TVA yardstick rates, 50 kwh. per month cost $1.50 or $18 a year. Under the old rates this total would have cost $4.60 a month, or $55.20 a year. Look at your bill now and see what it costs you. Of course, it depends upon the State in which you live. In Alabama, at the rates paid when the TVA Act was passed, 50 kwh. cost $4.60 instead of $1.50 a month, or $55.20 instead of $18 a year. That is what was paid a year ago before the TVA began to force rates down.

In Arizona, under the rates charged a year ago, the cost would be $5.40 a month, or $64.80 a year. In Arkansas it would be $4.60 a month, or $55.20 a

year; in Colorado $5 a month, or $60 a year; in Connecticut $4.50 a month, or $54 a year. In Albany, N. Y., the cost would be $4 a month, or $48 a year; in Erie, Pa., $4.25 a month, or $51 a year; in Waco, Texas, $5 a month, or $60 a year; in Richmond, Va., $4.25 a month, or $51 a year. This shows the average throughout the United States.

But suppose a householder uses 350 kwh. a month, the average in some parts of Ontario, Canada, which he will use when rates are low enough for more electrical equipment in his home. The cost in Tupelo, Miss., under the TVA yardstick rates, would be $6 a month, or $72 a year. But, according to the rates laid down in a book called N-E-L-A, which was issued by the National Electric Association, 350 kwh. a month would cost the following in the different States:

State	Cost	State	Cost
Arizona	$18.40	Michigan	13.50
Arkansas	24 40	Mississippi	27.10
Alabama	27.10	Missouri	10.15
Colorado	18 10	Nevada	21 50
Connecticut	16.28	Nebraska	25.38
Delaware	16.50	Montana	9 00
Florida	29.80	New Hamp.	25.20
Georgia	12 66	New Jersey	19.75
Idaho	15.90	New York	32.30
Illinois	21 75	No. Carolina	20.75
Indiana	17.25	Ohio	14 50
Iowa	12.65	Oklahoma	26.00
Kansas	13.00	Oregon	7 89
Kentucky	21.00	Pennsylvania	12.10
Louisiana	33.00	So. Carolina	24 00
Maine	31 50	Tennessee	16.60
Maryland	13.50	Texas	25 50
Massach'ts	26.25	Virginia	22.00
Minnesota	14.70		

The TVA, it is contended, does not take into account all the costs the power companies must pay. That is unquestionably true. They do not have to take them all into account, for they do not pay them all. The TVA, for instance, does not have to pay dividends on watered stocks. It does not pay exorbitant tribute to holding companies. It does not spend money on propaganda and publicity. Nor does the TVA contribute to campaign funds or try to influence elections. Finally, it does not pay the unreasonably high salaries and bonuses received by power company or holding company officials.

Opponents of the TVA have asserted that cheap domestic rates are offered at the expense of commercial consumers. I have before me copies of light and power bills paid by commercial consumers in Tupelo before and after the TVA contract went into effect. For instance, here is one that used 2,977 kwh. in January, 1934, under the old power company rates, at a cost of $145.58. In March, 1934, the same consumer used 3,233 kwh. for which he paid $46.60 under the TVA rates—an increase of 256 kwh. and a decrease of $99 in the cost.

Here is another business which used 821 kwh. in January, for which, under the old rates, $62.85 was paid. In March, for 840 kwh. $21.23 was paid under the TVA rates. Here is another bill for 966 kwh. in January. Under the old rates $65.14 was paid. But in March the amount used was 952 kwh. and the cost only $23.69.

It has been asserted that industries in that area are forced to pay higher rates in order to make up for the low rates to domestic and commercial consumers. That is not so. The industrial rates have been proportionately reduced as much as the domestic and commercial rates. For instance, duplicate power bills of a small industry that used 1,680 kwh. of electric energy during January, 1934, show that it paid $92.19 under the old rates, while in March of the same year it used 2,080 kwh., for which it paid $56.23 under the TVA rates.

I have also duplicate bills of a mill engaged in manufacturing cloth. In January, 1934, it used 204,803 kwh. of electric energy, for which it paid $3,181.33, under the rates charged at

that time by the power company. In March of the same year, it used 258,000 kwh., for which it paid $1,896.40 under TVA rates. In other words, this factory used 26 per cent more power in March than it did in January, and yet its power bill was reduced 40 per cent. If it had paid the same rates in March as in January, 258,000 kwh. would have cost $4,008.10, instead of $1,896.40. This one cotton mill saved $2,112 on its March power bill as a result of the TVA rates.

The most important phase of the entire power program is that of rural electrification, which will give the farmer some of the comforts and conveniences of modern life. It may result in one of the greatest back-to-the-farm movements ever known, and may decentralize our population as well as our crowded industries.

The average American farm home has been and is dark, drab and desolate; it lacks conveniences and entertainment. Toil and drudgery are the lot of the farmer. But if that home were electrified and electricity were furnished at TVA rates, then, for less money than it would take to keep a horse or feed an extra hand, the farmer could secure enough electric energy to light his home and his barn, pump his water, operate his refrigerator, run his fans, electric churn, vacuum cleaner, radio and electric stove. This is not the iridescent dream of a power enthusiast. It is a real picture of what is taking place in the TVA area of Northeastern Mississippi, and what we expect to see in every section of the country.

President Roosevelt on Nov. 18, 1934, stood before 75,000 people in Tupelo. He beamed with satisfaction as he looked into their upturned faces and saw hope written in every countenance. He was witnessing the fruition of a dream, for he had just visited the great hydroelectric power plant at Muscle Shoals and had witnessed the work in progress at the new Norris and Wheeler Dams. He had seen his yardstick for light and power rates applied. He had seen its effect on the small decentralized industries of that section. He had visited a subsistence homestead project, and had seen new, modern, low-cost electrified homes. The President had learned that the volume of electricity used had doubled in a few months, and that sales of electrical appliances, from water pumps to radios, had increased enormously. He had seen the electrified farm homes along the highway. He seemed to share the enthusiasm of the vast multitude as he exclaimed, in words that rang throughout the land: "What you are doing here will be copied in every State in the Union before we get through."

How Can the State Do Business?

By STUART CHASE*

EVERY newspaper you open bears witness to the fact that collectivism is upon us horse, foot and guns. Even Canada, the last citadel of private enterprise, still with a great frontier of undeveloped territory, has surrendered to a new deal. In March the Dominion took over the grain trade as a State-controlled undertaking. Pending a revival of expanding markets, population, foreign trade, opportunities for profitable investment and the other essential ingredients of the formula of capitalism, there is little prospect that public business will diminish.

Perhaps expanding markets for goods and investments can be revived, but the weight of expert opinion is pessimistic. To maintain private business in the style to which it has been accustomed, it is necessary not only to bring markets up to the pre-depression par, but also to keep them steadily compounding thereafter, pushed on by funds seeking reinvestment, at a rate of 4 or 5 per cent. Certainly if the normal compounding process cannot be re-established, the State, with its collective controls, must continue in the battle line. Faced with the grave possibility of permanent public business on a large scale, it is pertinent to inquire into the best available models for operating it. This should interest even conservatives who want to make the best of a bad business.

Are you interested in railroads? You can select your State ownership, control or regulation from Germany, New Zealand, Canada, Russia, Italy, Mexico or the United States. Are you shopping for agricultural collectivism? Here are the AAA, the Queensland Sugar Control Board in Australia, the British Agricultural Marketing Act, the new Canadian grain control, the Russian collective farm—or, if you prefer, the giant State farm—the Danish cooperative system, the Hitler land and peasant laws, the Mexican *ejidos*. You are interested in coal mines? I can offer you samples from Germany, Sweden, Austria, Holland, New Zealand and the Donetz Basin. Here are State bakeries and drugstores in Italy, cold storage plants in Germany, a choice brewery in Vienna, hay and potato controls in Munich, hotels in Budapest, tobacco and matches in France, camphor in Japan, oil fields under the Australian Government and under Secretary of the Interior Ickes, iron mines in Prussia, gold mines in Australia, and State housing in Switzerland, Germany, Austria, France, Australia, Scotland, England, Scandinavia, to say nothing of tender beginnings in the United States.

To describe the models of State control put into tangible operation since the war, especially since the depression, would take a library shelf. They cover almost every variety of economic activity, and almost every

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*This is the third and concluding article of the series, of which the preceding two instalments were "Government in Business," in the March issue, and "What is Public Business?" in the April issue. These articles are to be followed by a discussion from another point of view.

conceivable size of operation, from the whole Soviet Republic to a single flour mill in North Dakota. They vary from the most complete ownership and operation to comparatively mild regulation. But every one of them interferes with private business and has a greater or lesser effect on private profits. All we can do here is to select typical examples, and try to appraise their suitability for the work in hand.

As we noted in the first article, public business falls into three main categories:

1. Major regulation. (We are not concerned with petty regulation, like factory inspection.)

2. Control-without-ownership.

3. Ownership by the State or by a collective group. Genuine cooperative societies belong in this division.

These activities in turn may cover an entire national economy, a complex of industries, a specified industry, a given unit within an industry. Again, the control may fasten on production, with little regard to distribution, or confine itself primarily to distribution. The mind reels at the astronomical number of possible combinations. It would have been easier if the benign theory of laissez-faire, whereby nobody need control anything but his own small business, had not refused to work in a world of stubborn realities.

Taxation is a form of regulation which can profoundly interfere with private enterprise. Income taxes, inheritance taxes, corporate excess profits taxes, capital levies, have the power drastically to reapportion the national income.

Certain reformers, appalled at the complexity of public business, advocate regulation through the taxing power alone. The Single Tax comes to mind. The simplicity of the method is appealing, but no amount of shifting taxes in March, 1933, would have reopened American banks or accelerated the wheels of industry. Taxation can redistribute a fixed national income in nearly any way you please, but the problem of modern governments, especially in a depression, is primarily to increase the sum total of the national income; to stimulate production. Taxation can aid in this, but hardly do the whole task.

Before assuming the severe administrative task of outright ownership and operation, some countries have tried regulation first. If regulation does not work, a government may go on to control-without-ownership; if this proves inadequate, it may take over the activity as a last resort. Even Soviet Russia regulated wholesale and retail trade under the New Economic Policy before nationalizing the whole sector. At the present time, regulation is rife in most States. Laws, codes, licenses, prohibitions, orders, are piled one on top of another in bewildering confusion, as economic forces fall out of control and demand adjustments and readjustments.

Nowhere is regulation more mountainous and burdensome than in foreign trade, but to look on it as primarily the work of official bunglers, eager to plague honest exporters and importers, is to miss the point of post-war history. Faced with declining world markets, dumping, falling prices, with serious shortages of raw materials—often the very food supply—the several nations had to regulate their foreign commerce in the interest not of profits, at this stage, but of economic survival.

For those more or less ambiguous industries "affected with a public interest," regulation has long been the order of the day in the United States. The results have not been happy. The

newspapers are now full of its failure in respect to utilities.

Regulating commissions generally, the country over, have "felt that they lacked the scope to go into the values back of the figures." As a result, figures have been rotten with private graft, false appraisals and crooked bookkeeping, while the public has paid rates based on a "reasonable" 8 per cent, based in turn upon such valuations. A legislative committee reviewing twenty-three years of regulation in New York reported: "On the basis of this intensive investigation, *we find that effective public utility regulation in the State of New York* has broken down, and that the consumers of the State of New York have been abandoned to the exploitation of the utility companies without any effective restraint by the Public Service Commission."

Regulation, be it observed, divides power between public and private business. This is its fatal weakness. The balance wavers from the State to the regulated industry. In times of public wrath the State may tighten its authority, but usually the utility finds one method or another to pass on its burdens. Unable to serve two masters, the industry usually cleaves to the private business side. Each addition to the ranks of regulated business, furthermore, tends to increase the gross power opposed to the government. A kind of trade union of animosity develops.

The NRA is a regulatory device. Under pressure of emergency, it might have worked—indeed it is working after a fashion—in a few well chosen industries. When practically the whole private sector was included, opposition became too massive to handle, and General Johnson's Blue Eagle is apparently squawking its last. It remains to be seen whether regulation modified to minimum wages, maximum hours and a few trade practices, like the Stock Exchange control, can survive. There is reason to believe that it can, especially if organized labor helps to enforce hours and wages provisions.

The regulatory model on the whole is suspect. It unsettles and disrupts private business by keeping the balance of power in constant oscillation, while benefits to the general public are dubious if not negative. The New Deal as a whole is primarily emergency regulation. Private business is justified in resenting it in many cases, *for nothing is definitely settled, and without settled controls, planning for the future is exceedingly* difficult. If public business is destined to become permanent, the question of power must be settled, controls must be defined. One suspects that private business would be happier if it knew with some precision the field in which it was to operate, even if that field were limited as compared with pre-depression practice.

Beyond regulation lies control-without-ownership. Here the problem of power is more closely defined and action is positive. The State takes over policy and major decisions. Examples are the War Industries Board, the AAA, the British Milk Control. All three are—or were—legally voluntary but if an individual refuses to come in, he finds his rôle hard and lonesome.

The result is not far different from the present arrangement in the majority of our great corporations. The corporate legal owners no longer control their properties. They have a right to a dividend if earned, and a right to throw their proxies in the wastebasket. Policies and decisions are made without their knowledge or deliberate consent. If for corporate "control" we

substitute the State, we have a roughly analogous situation—except that one would wish the State to be less cavalier with other people's property than corporate control has often been in the past.

If corporate property worth $100,000,000,000 more or less can be managed by those who do not own it, often by those who do not hold even a share of stock, the question is raised whether in the realm of public business outright ownership is essential. Many students believe that in an age of plenty, legal title is no longer so important as it used to be, and that equal or superior results can be obtained by operating strategic controls.

In the preceding articles we have dwelt at some length on the AAA as a control-without-ownership device. It is generally agreed that it was a hasty device, designed for an acute emergency. In the State of Queensland, Australia, we find a model of another agricultural control which has been in operation longer and perhaps is a superior method. Queensland, like other cane-sugar areas, had a boom after the war when the world sugar shortage was acute. Investment poured into the industry, acreage was greatly expanded. Presently the enterprise collapsed, as it did elsewhere, when the bottom fell out of the world price. The government was implored by the farmers and business men to "do something." What was done was this:

Sugar imports were completely shut out and the whole sugar area divided into districts, each with one grinding factory. The factory was assigned a quota, not to exceed its previous maximum. Each farmer in the district was given his quota, based on previous production. A Sugar Control Board was incorporated which sold to Australian consumers all the sugar they could buy at a price as high as they would stand for. Any remaining stock was sold abroad at the world price. The Sugar Control Board, with cash from the sales, settled with the factories, which in turn settled with the farmers. Each received his proportionate share. Any farmer, however, can grow all the sugar he wants above his quota, provided he is willing to sell abroad and take his chance on the world price. The Sugar Control Board will assist him in selling this surplus.

There are important features in this model. While gross income is limited under the quotas, any enterprising farmer can increase his net income by improving his methods and reducing his costs. This puts a premium on scientific agriculture and on individual initiative. No farmer, however, is immediately run out of business by the initiative of his fellows. If he produces his quota, he gets his price with the rest. Only if he is too unenterprising to keep his costs below the quota return will he disappear from the economic scene. Again, low-cost farmers can exceed their quotas if the world price offers them any margin.

Suppose, says W. O. Willcox in his book *Reshaping Agriculture,* that this device were adopted for cotton farming in the United States. Imports would be shut off and the cotton belt divided into districts, with a gin in each district. Quotas would be allocated to gins, based on previous performance. Farmers would be registered and assigned a percentage of the quota. The Cotton Control Board would take the total gin output and become the only seller of raw cotton in the United States, its directors to include producers, consumers and the government. It would sell to spinners at a fixed price, unsold stocks to be exported and sold by the board at the

world price. The farmer would receive his quota payment for both the domestic and the export share. He could cultivate more cotton if he should choose, but it would have to go into a third pool to be sold abroad. Enterprising cotton farmers would probably tumble over one another to install the new mechanical cotton picker, which, according to reliable authority, has at last been perfected as a practicable device. Newcomers would be shut out. The board would set aside a large product reserve in case of crop failure.

Under the AAA there is no such security of tenure, no such premium on efficiency and progress; while paying farmers for not producing is a clumsy and morally a somewhat abhorrent procedure. Furthermore, an acreage restriction can always be evaded by intensive cultivation, which in time will invalidate the whole scheme. It so happens that just when corn acreage was restricted 20 per cent, a new corn hybrid was developed by the agro-biologists which gave a 20 per cent greater yield!

Australia is not unique in her plan. The Agricultural Marketing Acts of 1931 and 1933 in Great Britain offer somewhat similar models. Already a Milk Board, a Sugar Board, a Potato Board and a Pig Board have been set up. In the milk control, every farmer with more than four cows can be registered and licensed. The board fixes wholesale and retail prices, and ratifies contracts between farmers and distributors. Quotas are allotted. The farmer sends his bill to the board, which collects from the distributor. Nobody has to come in who does not want to, but a referendum showed 96.46 per cent of milk producers, representing 96.51 per cent of the British output, in favor of the plan. Rugged individualists voted for collectivism.

Competition heretofore has taken two main forms—extending markets and reducing costs. The former is the domain of the salesman, the latter of the engineer. The Queensland plan eliminates the salesman and encourages the engineer, and thus puts competition on its sounder base. It should work well in highly competitive industries like agriculture. I find no comparable models yet established in manufacturing. The plan is certainly worth a laboratory test in a competitive industry with relatively small units, like textile manufacturing. It is hardly applicable to a quasi-monopolistic industry like steel, where a conflict of power would be likely to occur. It is relatively easy for a control board to maintain its authority over production and prices, when units are small, disorganized and often desperately eager for controlled direction. It is not so easy when a board comes up against a powerful, highly organized, recalcitrant producers' group.

If control - without - ownership will not work, the last recourse is public ownership and operation. Models in this department are very numerous. Many of them were adopted, one suspects, without adequate study of the former device. The second steel-producing nation in the world—the Soviet Union—has changed its whole economy to public ownership in one form or another. It is working well enough to permit unprecedented increases in physical output. This is the more astonishing in that the increases continued through the trough of a world depression, when the indices of every other nation were going down. Russia has established universal social secuity, but at a very low level. It remains to be seen whether she can bring up the mass budget to a comfort standard, or lay the foundation for a genuine civilization. Russia, it must be remembered, has not yet the physical

equipment to supply high living standards; she is struggling out of the age of scarcity. Western nations have the equipment, and their problems centre upon surpluses above market demand. Comparison between the two, accordingly, must be carefully guarded.

When a given economic activity is socialized, a grave source of conflict is automatically removed. The power lobby, the railroad lobby, the oil lobby are liquidated, and with them friction, litigation, counter-litigation, Supreme Court decisions, bribery, padded valuations, which are the almost invariable accompaniment of regulation, and a shifting balance of power from industry to the State. The cancer has been cut out. This gives the government administration a less hectic field in which to operate, and a chance to concentrate on providing service rather than lawsuits. It does not follow, however, that the State inevitably will do the better job. Many other factors must be considered.

A significant development of public business in this department is the appropriation of the corporate form. The German Railroad Company was valued in 1932 at $6,000,000,000, making it the largest corporation in the world. The government owns the capital stock, but the company operates as independently as the American Telegraph and Telephone Company. It is responsible for its own debts. It borrows money on its own credit and risk. It can sue and be sued; hire and fire without civil service restrictions. Corporations of this kind are the despair of politicians.

The Hydro-Electric Power Commission of Ontario is an authority rather than a corporation, but it has many of the attributes of a corporation. It is an agency of the Provincial Government of Ontario, to which it accounts, and it is trustee for the associated municipalities of the Province, on whose behalf it generates and transmits power. It owns and controls generating plants and transmission lines. It can take legal title to property and make contracts. But the Province raises the capital. The several municipalities own their local distributing systems, and share in the equity of the commission's property. The investment of the commission is close to $300,000,000, and that of the municipalities in the distributing systems about $100,000,000.

The Central Electricity Board operates the so-called British Grid. It is a government corporation, empowered to buy and build transmission lines in the interest of one efficient superpower network for England, Wales and Scotland. It does not operate generating plants but is a "controlling middleman," enforcing low-cost generation on the one hand and wholesaling power at cost to local distributers on the other. The average resale price in 1932 was 7 mills per kilowatt hour. Through the Minister of Transport it has power to revise rates of distributing companies, many of which are municipal corporations. This model uses the government corporation, but must be classified as a control-without-ownership device.

In a preceding article we listed a long series of United States Government corporations, the RFC with its assets of $4,000,000,000 being the largest. The Tennessee Valley Authority is not a simon-pure corporation, but it follows the general pattern.

Russia has been through the mill in this connection. First she tried factory control by the local workers, which was terrible. Then she tried trade union control, which was about as bad. Then she tried government department control—like our Post Office—which was unworkable on the

scale required. Finally, in 1923, came the State Trust, a semi-corporate form borrowed from private business. The trusts have now been meeting the pragmatic test for twelve years. They control the major industries, usually by regions. They must stand on their own feet apart from political turmoil. They must meet their debts, assume financial responsibility, keep down costs, show a profit. Creditors *cannot alienate the fixed property of the trust but they can alienate its working capital. A technically trained* administrator runs the enterprise; if he does not produce a profit, or show adequate cause, he is fired. Workers are protected from exploitation, but not from laziness, stupidity, indifference or sabotage. Trust profits are divided three ways—to the State, to the workers, to the reserve account for expansion.

A map of collective enterprise today would show the corporate form of ownership spotted far and wide. It has grown enormously in recent years. In the good old debates on capitalism versus socialism, neither side envisioned such a departure. The stock argument about political plums is fairly answered. Postmaster General Farley himself would not have the ghost of a chance to get into the British Grid, the Russian Steel Trust or the Canadian National Railways. It might not be a bad idea to incorporate the United States Postoffice Department, appoint an expert administrator at $50,000 a year, and remove the whole service completely from the political arena.

"It is contended," says A. H. Hansen, "that by operating under a legally incorporated entity under a price system all the capitalistic devices for achieving efficiency can be carried over into socialism. Such a corporation cannot only hire and fire on a business basis without regard to civil service regulations, it can apply all the calculus of a cost-and-price system to achieve efficiency of operation." It can, and often it does.

Once a business becomes too big for one brain to handle personally, accounting takes over the job. The principles of cost accounting, with which I am not unfamiliar, are uninfluenced by political or moral passions. There they are—for Mr. Sloan's use, or Mr. Stalin's use, or the use of the Danish *cooperative societies.* All large corporate organizations are now run by remote accounting control. On the records as they come hourly, daily, weekly, monthly, to the central office, the front-line administrators stand or fall. Question: What difference does it make to a front-line administrator—say the manager of a chain grocery in any town—whether the stock in the vast impersonal corporation for which he works is owned by Tom, Dick, Harry or the State? Answer: The only difference to him is which corporate control gives him the better break.

In the great corporation, collectivism and capitalism meet. Administratively it is becoming increasingly difficult to tell one from the other. All the old arguments dissolve in this new compound. Capitalism has been socializing its forms through the great corporation; collectivism has been adopting and adapting this most characteristic of capitalist institutions. This is not to say that it makes little difference who owns the stock. It makes a world of difference. If privately owned, the central office staff policy, reflected down the line to the trenches, is one thing; if publicly owned, it is likely to be another. Administratively there is little to choose; for years there have been no better run corporations in the world than German State utilities. Economically,

the policy of large private corporations in the United States and elsewhere is often to restrict output in the interest of high relative prices, while in the case of public corporations output rather than price becomes the deciding factor—to keep the goods moving.

If the 200 massive corporations that control the bulk of the goods and services supplying the budget of the American people were nationalized tomorrow, through the device of exchanging stockholders' ownership certificates for preferred stock guaranteed by the government, the controlling common stock to vest in the government, the shock would be morally great but tangibly small. Here would be the same corporations, the same stockholders with different colored pieces of paper, the same administrative staff except the board of directors, the same jobs to be done, the same research projects to be worked out, the same impartial accounting records. The 2,000 gentlemen now constituting the "control" would undoubtedly be discomfited; the inert mass of stockholders would in many cases be encouraged by a somewhat better prospect for their "conventional return"; the workers and the front-line administrators would wonder if they were going to get a better break. The public would have the prospect, for the first time in American history, of a steady flow of goods and services.

Obviously, the United States Government, including the brainiest of the Brain Trust, is now in no position to determine detailed policies for 200 great corporations, and to coordinate the same in one giant service of supply. I doubt if the conception has crossed their minds. What may be emphasized is that, in the world of practical realities, the corporate form is the best all-round form to choose when and if public business undertakes outright ownership and operation.

Joseph B. Eastman, Federal Coordinator of Transportation, has set forth the reasons given for opposing a government corporation to operate the railroads. Under such form: (1) Bankers' profits would be curtailed; (2) officers of private companies would tremble for their jobs; (3) directors would lose inside information for profitable application on the Stock Exchange, and (4) even members of the Interstate Commerce Commission might lose their positions. The advantages, according to Mr. Eastman, are: (1) Low cost of capital; (2) opportunity to reduce capitalization over a long period, without undue hardship on the public; (3) the end of the "valuation" nightmare, which under regulation is a perpetual burden upon the public; (4) increased efficiency due to operating railroads as one coordinated system; (5) the constant limelight playing on a great public corporation with open records, which would tend to prevent corruption and inefficiency.

I have had space here to present only the barest handful of the new models in public business. I have tried to select significant samples, but there are many others of great interest. As a result of this brief survey, we can at least lay down certain tentative conclusions. If public business on a large scale is to become a permanent feature of our economic life—as there seems conclusive evidence that it will—the wise statesman will bear in mind:

1. That regulation, except for temporary situations, is a failing reed. The regulation of a whole economy is a fantastic conception, for it leaves the vital question of power undetermined. Simple functional regulations

in respect to minimum wages, maximum hours, child labor, the distribution of national income through taxation, are probably workable within limits, but even these need more time for testing before we can be sure.

2. That outright ownership is an unnecessary administrative burden in cases where control at some strategic point on the industrial front promises equal results.

3. That when the State is forced to outright ownership, the independent corporation, administered by accounting control, using all the efficiency devices of contemporary capitalism, is the preferred model.

4. That before sending a delegation of the Brain Trust up into the attic to concoct a model for public business out of their heads, it may be well to dispatch an exploring party around our country and the rest of the world collecting models already in tangible operation. Five continents afford extensive exhibits, and Africa may offer choice specimens for all I know.

5. That any model should, whenever possible, first be given a laboratory test. I have long wished that New Zealand would adopt Major Douglas' scheme of Social Credit to see what would happen. It might be hard on New Zealanders, but very edifying for the rest of us.

Nine Americans out of ten have a fixed idea which nothing can shake—or could not until 1930—that government business is by nature, inherently, everywhere, at all times, in any service, grossly inferior to private enterprise. On this assumption it follows that any wide extension of collectivism threatens a people with penury, unlimited corruption and disaster.

Psychologists know that it is of no avail to argue with an *idée fixe*. I do not propose to argue. I may, however, point out one or two considerations in addition to those—like the shift in corporate ownership—already mentioned.

If social administration is in ever growing demand, a time must come when the supply will meet it. Not for nothing did President Conant of Harvard recently announce that he proposed to train men specifically for public service. Other universities have already begun. Meanwhile, we shall have to struggle along on what talent we can pick up. Harry Hopkins, putting 4,000,000 men to work in three weeks' time on the CWA, is no mean administrator. Arthur E. Morgan announces that he is building the Norris Dam for the TVA with a labor turnover of less than 1 per cent a month, where private construction jobs of this nature normally run from 25 to 50 per cent a month. The dam promises to be one of the cheapest ever built. Here and there good administrators are being molded in the furnace of necessity. Other nations, exposed longer to collective necessities, like Germany, Sweden, Great Britain and the Soviet Union, have developed a personnel adequate to the tasks involved. Necessity is the dominating consideration, not a spurious psychology which would turn a man's bowels to water the instant he goes on a community payroll. We shall be handicapped, however, for years in this country because of the curious fixed animosity toward ourselves, collectively considered.

We should remember, too, that under high energy conditions the industrial engine does not need to be driven to its maximum efficiency. There is plenty of room in which to turn around when one factory, for instance, can make all the automobile frames that the whole nation requires. Operation at 100 per cent capacity, day and night, is not mandatory; at the moment it would prove exceed-

ingly embarrassing. When inanimate energy does most of the work, the budget of essentials for the last family can be met at a reasonable tempo. American administrators are the envy of the world, chiefly in rush jobs. They can run up a skyscraper in six months, treble their volume for the Christmas trade, show incredible activity in emergencies. Public business is not like that. Its task is to set quotas, standards, budgets, and see that the work moves forward on an even keel, twelve months in the year. Incidentally, any engineer will tell you that the chances of low costs per unit are improved on this basis, though the excitement is less.

This brings us to the really menacing aspect of public business. It lies couchant beneath Mr. Eastman's proposals for taking over the railroads, beneath the Australian and British agricultural controls, beneath nearly every extension of public business in a large way, and it gives the lie direct to the charge of inefficiency. Why does Mr. Eastman hesitate to recommend immediate government ownership? Among major reasons is the fact that too many railroad workers will be displaced by consolidating terminals, eliminating duplicate lines, cutting down competitive sales forces. The pit of a depression is no time in which to displace more men. What is going to happen to many sugar farmers in Queensland when the efficient farmers have brought their costs so low that the Sugar Control Board, in justice to consumers, must lower prices, and thus the return to the growers? High-cost farmers will have to quit, even as high-cost British milk producers, and high-cost American cotton growers—if we ever adopt this model.

These threats are real. Doubtless some sturdy individualists will presently use them as added reasons why the government should cease its meddling. What do the threats connote? They mean that equal output can be produced with less over-all manpower, which is the only abiding definition of efficiency. For its very competence, then, public administration is feared, and justly. The answer, however, is not to proscribe efficiency in the interest of incompetent private employment, but to develop new areas where the displaced manpower may perform useful service. The recent report of the National Resources Board can supply much information on this score. We could use in worthwhile public works, contributing to the budget of essentials, millions of workers for many years. Administration is one question, unemployment another.

Finally, private administration, admirable as it often is in detail, never considers the economy as a whole. As a result of the depression to date, 100,000,000,000 man-hours of work have been lost through unemployment (an average of 10,000,000 persons for five years at 2,000 hours a year), and goods and services worth from $150,000,000,000 to $200,000,000,000 have not been produced, although the equipment was in place to produce them. It would require, one suspects, quite an effort on the part of a public administration, charged with the performance of the economy as a whole, however green and inexperienced, to better this record of gross inefficiency. In studying the problem of administration, one must keep one's sense of proportion. We are dealing here not with the best method to file correspondence, collect bad accounts, or blow in a blast furnace, but with the best method to keep effective human demand from falling short of the proved and available supply.

The Changing Face of Britain

By Hugh Quigley*

During the last twelve years a striking change has taken place in the economic map of Great Britain. Though vaguely understood and appreciated, even by the British themselves, this change has more than national significance.

Until almost the beginning of 1923 the chief industrial areas in Great Britain were clearly defined. Coal mining centres, like South Wales or Northumberland or Durham, were still moderately prosperous, while the cotton industry of Lancashire in 1923 and 1924 had one of its most active periods. Shipbuilding and its allied industries, because of changes in official economic policy, increasing industrialization in many other countries and the growth of economic nationalism, began to lose their grip on world trade.

The areas dependent upon these industries became more and more depressed. Gradually the whole of Britain north of a line running roughly through Birmingham from east to west, with the exception of South Wales, was afflicted with declining activity and inertia. By the end of 1933 more than 30 per cent of the entire labor force of that part of the country was unemployed.

Surveys of the situation of the industrial areas conducted by the local universities in 1930 showed that there was a permanent surplus of labor, which, under existing conditions, could not be absorbed. In 1934, the government, owing to agitation in the depressed areas, appointed four commissioners to examine the situation in South Wales, on the northeast coast, in Lanark in Scotland and Cumberland in Northwest England. Their reports, published toward the end of the year, confirmed the findings of the university surveys and showed that during the years 1930-34 no real improvement took place. This is now the position in Britain north of Birmingham, with the exception of one or two isolated areas, notably in the vicinity of Manchester, where some of the newer industries have been established.

South of the Birmingham line, however, the situation is entirely different. In fact the whole of this area, even when the economic crisis was at its worst, presented a refreshing picture of economic activity. New industries were springing up; new factories were being built by the hundred in the neighborhood of Birmingham, Coventry, Bedford, Luton and London; new public services—railways, roads, water and gas systems—were being developed. The great public utilities, such as electricity, were spreading out from London at a remarkable rate, serving not only the new enterprises, which at the outset were more than 90 per cent electrified, but agriculture as well. In 1934 one of the finest examples in Europe of rural electrification on a complete and intensive scale was provided by the counties of Bedford, Cambridge, Norfolk and Suffolk.

Housing led a tremendous boom.

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Whole new towns were being built on the outskirts of old towns, and it became customary to think of new developments in terms of 4,000 to 5,000 houses. The General Post Office established new post offices and telephone exchanges in the new housing centres; the brewing industries built an extensive series of architecturally satisfactory hotels, restaurants and roadhouses; great new highways, linking London with the main centres of population, were supplemented by additional roads by-passing large housing schemes in order to insure rapidity of travel.

In the latter half of 1934 activity in construction was so great that deliveries of bricks were on an average five to six weeks late, and for even ordinary building materials the delay was as much as four months. In short, the capacity of the building and allied industries to meet all demands was for a time outstripped.

All this would seem highly satisfactory, especially as some part of this prosperity began later to flow into the depressed areas north of the Birmingham line, particularly into the districts around Manchester and Leeds. But the two great problems confronting the British Government must be kept in mind: (1) The depressed areas with their hard core of unemployment, which apparently no natural process can eliminate; (2) the chaos in town and regional planning caused by the unparalleled activity south of the Birmingham line. The second threatens to be the more difficult of the two problems, but why should they have arisen?

The answer strikes at the very heart of British economy. Until the end of the war, the aim of British policy, in so far as it could be translated into definite action, was to create and improve industrial productive capacity to the maximum, not only in Britain itself but also in the Dominions, the colonies and underdeveloped areas like South America and the Far East. Hardly ever has the accusation been true that British industries were incapable of keeping up with modern industrial and scientific technique. What really caused the dislocation of the national economy was the successful diversion of capital, not so much to provide consumption goods as to extend the use of capital goods.

Before the war there was hardly a large British industry, some sections of building excepted, that could be put in the category of consumption goods. There were obvious industries, particularly flour, jam, cocoa, tobacco and textiles, of whose output the public was the immediate consumer. But with a few exceptions even the larger of these industries tended tc concentrate on exports and to spend a great part of their accumulated capital on equipment. The great profit-earning sections of industry, however, were iron and steel, engineering, coal mining, chemicals and building, all of which are engaged directly or indirectly in producing capital goods.

Almost every important British industry possessed by 1923 sufficient modern manufacturing equipment to meet world competition. Unfortunately alongside this modern equipment was surplus older equipment that could never be properly employed. The British economic system consequently had to reorganize in order to eliminate worthless and excessive productive capacity. It had not, as in Germany, to create new capital to supply deficiencies in modern equipment—the equipment was there. This fact had been apparent during the war, but no one saw what it meant, that the areas producing capital goods would gain by accelerating the rationalization of

manufacturing units, if only to clear the way for the installation of additional productive capacity at an earlier date than would otherwise be the case.

The most convinced opponents of rationalization have been precisely those representative of the most depressed areas such as Lancashire and the northeast coast. Yet in Lancashire, while a large body of workers, for example, may be concentrated on textile production, almost as many are engaged in auxiliary trades that make such production possible. If there had been a process of weeding out in Lancashire immediately after the war, it would have prepared the way for revival within a short time in several of those industries. Though a period of depression would have occurred, it would not have involved Lancashire in the decline that set in. The government in 1934 passed an act under which wage rates agreed to by a majority of firms and the trade unions were made obligatory on the whole cotton-spinning industry. Chaos in responsibility and control had reached such a stage that undercutting threatened to destroy even the most powerful firms.

The same observation applies to South Wales and the northeast coast, where there is still a chance for national planning based on reorganization of productive capacity. Already in the iron and steel industry a new period of increased expenditure on capital equipment has begun as a result of some control of existing productive capacity.

British industry was thus unable by itself to cut away the dead wood so as to stimulate expenditure on new capital goods and automatically bring employment to the depressed areas. Instead, deliberate action was taken after the war to create new sources of

Post-war industrial development in England has been chiefly south of a line drawn east to west through Birmingham.

demand, largely in consumption goods.

The great expansion of the building industry has been due to British legislation and the drive toward a higher standard of living. It is significant that between 1920 and 1933, almost 2,500,000 houses were built; in other words, about one-fourth of the entire population of Britain has been rehoused in the last fourteen years. No development on such a scale has been recorded in the history either of this or of any other country. This enormous activity has created a whole series of auxiliary industries attached to building, just as did the expansion of the textile industry in Lancashire.

In 1933 the government introduced legislation to accelerate slum clearance by local authorities, the complete plan affecting 270,000 houses to be carried out in five years. By the end of 1934, contracts for about 105,000 houses had been let by local

authorities, mostly for slum clearance, and 300,000 houses of all types—a record for all time—had actually been built, mainly by private enterprise.

In every great centre of population there has been this extension of building activity, but the most important work has been carried on in Southeastern England. This is probably because London is the centre of the principal institutions that finance the buying of houses. The type of commercial activity in which London engages also tends to protect a large section of the population from changes in international trade.

Building expansion, therefore, has created greater industrialization in the southeast corner of England, but that does not mean that there has been any marked transfer of the older industrial enterprises from the north to the south. The location of industry is subject to factors that are without the infallibility of economic law and that are influenced by human whimsies. There are, however, good reasons why this economic expansion during a severe trade crisis has been concentrated south of the Birmingham line.

The changes in international trade are first in importance. Higher tariffs in the United States and Canada have diminished the demand for British products in North America, so that there is less opportunity for reciprocal trade. In addition, the decline of emigration across the Atlantic, as a result of restrictions before 1930 and the world depression afterward, deprived centres of the emigrant trade, such as Glasgow and Liverpool, of business which, before the war, was on a large scale. Emigration was undoubtedly a prime factor both in stimulating shipbuilding for passenger purposes, notably on the Clyde and the Mersey, and in bringing employment to industries engaged in shipping goods, particularly agricultural machinery, to emigrants. So long as emigration to North America was heavy and constant, so long could manufacturers on the west coast expect an increased demand for their products, but the imposition of high tariffs and the end of emigration wrought a permanent change.

On the other hand, American loans to Europe after the war created boom conditions in Germany, Austria, Italy, Hungary, Poland and the Baltic States and to some extent in France and Belgium. Not only were those countries provided with vastly increased opportunities for economic expansion through the creation of public utilities and new industries but a demand for British exports was created. This demand in the early years took the form of manufactured and raw or semi-finished materials, such as coal and wood, and in the later stages spread even to engineering and electrical manufactures.

The character of passenger traffic between the North American Continent and Europe also changed in the post-war years. The rise of a large-scale tourist trade led to the development of harbors on the south coast of England, such as Southampton, which were close to the Continent. None of these factors, nor a combination of them, caused industry to shift to the south, but it did increase the demand for new products that could be supplied anywhere and were furnished principally by new factories established close to the Continental market.

Post-war emphasis on public works and housing, combined with increasing electrification of the country, strengthened industries already established south of the Birmingham line. The Thames basin has always been the headquarters of the cement indus-

try; the country around Peterborough is the main centre for bricks; the electric cable industry is grouped in the narrow area bounded by Barking, Woolwich and Gravesend, while electrical engineering has important works at Birmingham, Rugby and North London; the furniture trades are concentrated in the district north of London. All these industries were not new to Southeast England, but they were considerably expanded.

The carrying out of public works undoubtedly brought considerable work to manufacturing firms in the depressed areas, particularly in tube making and heavy power machinery. It is rather difficult to specify the centre of activities due to public works, but developments in housing were essentially an opportunity for Southeast England.

Arising also out of social change came, of course, an improvement in the standards of life and pleasure as represented by the increasing use of motor cars, radios and central heating. The expansion of the motor industry was obviously associated with light engineering trades which had their centres in the Midlands and were already prepared to supply the requirements of this particular industry. The manufacture of radio equipment was a further development of electrical engineering, already securely fixed south of Birmingham. Firms that had specialized in supplying fireplaces and ranges for the use of coal and similar domestic equipment were less active than new firms in Southern England in meeting the demand for electric and gas fires and central heating equipment.

The effect of better education, combined with the introduction into Great Britain of the modern technique of advertising, not only expanded the demand for popular reading matter but made it possible for the daily press to reach enormous circulations. This development, which is not confined to Great Britain, created a rapidly growing market for the entire paper and printing industry. News print was already established at the mouth of the Thames and therefore was able to increase its productive capacity without serious difficulty. On the other hand, the old paper-making and printing centres on the east coast of Scotland and in Wales did not greatly share in this expansion because they tended to concentrate on high-quality products.

New factories were established in the London area to meet the requirements of the great national press, with a result that certain sections of London are almost exclusively given over to a single industry. One area, for example, produces printing ink; another area specializes in the manufacture of cuts for printing purposes; in another bookbinding factories have been created. All these activities, while not confined entirely to the south of England, have had their principal growth there.

One of the most remarkable changes that have taken place is undoubtedly in public taste. Even if the post-war generation indulges in half-timbered atrocities in its houses and imitates extensively and, it must be admitted, crudely the old rustic styles, the worst of the new bungalows and villas are more attractive than the heavy and depressing structures of the Victorian period. The suburbs of London and the big cities have been covered with miles of such single-story or two-story houses, each with a small garden ranging from a tenth to half an acre. These rows of houses are vastly preferable to the back-to-back abominations of the Victorians.

This improvement in living condi-

tions has destroyed the demand for a whole series of products that were sent out in vast quantities from the older mass-production centres. The new generation demands new forms, new materials and new functions in all the articles that enter the modern household and, as the movies show, it demands a comfortable and luxurious standard of entertainment. The highest expression of this change is undoubtedly to be found in the new slum clearance and rehousing schemes carried out in London. The industries supplying this new taste are located in the southeast of England.

In the great services that really decide the economic strength of a community—railway and marine transport, electricity, water, roads and housing—Southeast England is one of the most advanced areas in the world. The result has been a remarkable concentration of new manufacturing concerns on the northwestern and southeastern outskirts of London. The new manufacturing facilities are represented by entirely electrified factories of advanced architectural design, while conditions of labor are so vastly improved that no comparison can be drawn with pre-war conditions.

An exhibition of drawings and models of London and the provinces prepared by unemployed architects a couple of years ago showed in the most graphic fashion how rapidly the surface of the London area and the surrounding counties was being changed to meet the new civilization that was emerging, with its new factories, new slum clearance schemes, new housing schemes and new post offices, electric generating stations and roadhouses, which found no place in nineteenth century England.

The most remarkable expressions of the new era are to be found in the National Power Transmission System — the Grid — which coordinates, through 4,000 miles of overhead transmission lines, the entire national output of electricity from the public supply system, and the new pithead baths erected by the Miners' Welfare Committee at the principal collieries. The latter have aroused comparatively little attention but their influence on industrial architecture, particularly in the coal mining and heavy industries, is already well marked. One important development has been the planning of a complete colliery surface plant by the Miners' Welfare Committee architects to harmonize with the pithead bath.

The year 1934 represented a period of unparalleled activity in industry working for the British home market. If exports had developed at the same rate or had even risen to the level of 1929, unemployment would have fallen to less than 4 per cent of the insured population. Despite such prosperity, the great problem confronting the British Government and the British public was the discovery of ways and means of introducing into this new order some conception of planning that would cover the whole of Britain's national economy. At present there is no obvious solution of this problem.

French Democracy in Decay

By PAUL HUTCHINSON*

As we dawdled over our apéritifs in a little café on the left bank near the Pont St. Michel, my friends began to argue about the fate of the Flandin government. "I'm sure it will prove permanent," insisted the Oxonian who supplies London's die-hard Tories with their morning measure of Paris correspondence. "Permanent?" expostulated the left-winger freelance, his incredulity in his eyebrows. "Of course, when I say 'permanent,' I mean a few months," the other explained. That sentence summed up the instability of the present French political order.

There are still those who insist that there is no actual danger for the Third Republic. Admitting the gibes in the Paris press and around the tables of the boulevard cafés, they will remind you that Paris is not France—not even nearly as much France as London is England, or Berlin is Germany. In the supposed loyalty of the rural regions and of the provincial cities to the existing régime, these optimistic souls assure you that there is enough to offset any revolutionary tendencies that may be at work in Paris.

But such reassurances are worthless. The diplomatic "victories" won by M. Laval last Winter gave only a momentary breathing spell before a more severe tension was felt. The loyalty of Provincial France to the present system of government is growing more uncertain every month. As a result, the premonition of coming change now runs through the whole fabric of French society. The semi-official *Temps* has already prophesied that the upshot of the rejection of the Doumergue reforms will be that "in a few years, perhaps in a few months, it will be all over with our liberal régime." Flandin took office calling his Ministry "the last experiment in parliamentary democracy." And even the observers—both French and foreign—who hold that there is no danger of an immediate revolution, say: "Of course, if this crisis lasts another year or so, something is bound to happen."

At the root of the disintegration of the French Republic lies the belief held by most Frenchmen that their rulers are thoroughly and irredeemably corrupt. Since there is no longer confidence in the integrity of those who govern, there can hardly be much confidence in the government itself. To be sure, political corruption is no new phenomenon in France. It would be hard to recall a period in which the average Frenchman did not take it for granted that Deputies, Cabinet Ministers, police, press and courts kept their palms well oiled. But in recent years the corruption in public life became so flagrant that it could not be shrugged aside.

The tide of French corruption rose spectacularly with the restoration of the devastated areas. As might have been predicted, the opportunity which restoration gave the Deputies to scatter millions through their constituencies overwhelmed the shaky ethical standards of most legislators. When

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these funds began to come in a flood, successful politics consisted mainly in contriving to get plenty of easy money for one's constituents, and in annexing large amounts for oneself. As long as this method distributed prosperity generally, who would cavil? But when the economic tide turned, and France began to feel the pinch of unemployment and encroaching poverty, anger mounted against the grafters in office.

Public wrath was brought to a head by a series of scandals in 1934. The year opened with the "suicide" of the notorious Alexandre Stavisky. The Stavisky scandal quickly involved the honor of the Premier's brother-in-law, two Cabinet Ministers and the Paris chief of police. Its investigation led to the murder of a judge of the High Court of Appeals and to the publication of a Parliamentary report which threw no light on the reasons for Stavisky's long immunity but which convinced the nation at large that no government drawn from the present Senate and Chamber dared let the truth be known.

The trial of Mme. Hanau, which followed soon after, reached a climax when the accused, who had been charged with various forms of swindling, became a popular heroine by proclaiming from the stand the venality of police and courts. Then came the revelation of the intimate connections between the narcotic and white-slave underworld and the police chief of the city of Lille. Still later Chief Inspector Bony, only member of the Paris police to unearth important evidence in the Stavisky case, was arrested as a blackmailer. And as the year closed there was disclosed what may prove to be the most malodorous scandal of all, the Levy case, by which, with the aid of persons in the Ministry of the Interior, a $260,000,000 swindle was to have been put over. Interestingly enough, the counsel for the Levys in the days when they were cooking up their aromatic little scheme were Camille Chautemps, Premier when the Stavisky scandal broke, and Pierre Laval, the present Foreign Minister.

This is, of course, a mere sketch of the progressive exposure of corruption which has marked the recent history of French politics. When public resentment came to a head after the Stavisky explosion, any politician with a glimmering of sense could see that "something must be done." That something, as might have been expected, took the form of a resort to the "strong-man" formula. Unfortunately, the only strong man available was not very strong old Gaston Doumergue.

Doumergue soon saw that the future hinged quite as much on convincing the public that democracy could function as that it could be honest. The Doumergue policy, accordingly, followed two lines. Immediately, in order to balance the budget and to insure against inflation or the abandonment of gold, there was a general pruning of expenses. The pensions of war veterans were cut. Salaries of public officials were cut. Subsidies to railways were cut. About 85,000 of the 800,000 civil servants were dropped. That meant a saving of about $265,000,000. But for the long pull the "crisis Premier" demanded an overhauling of the Constitution.

"The Constitution must be revised to avert a dictatorship, a foreign invasion and another war," Doumergue declared in one of the nation-wide radio addresses to which he resorted. Alas for "Gastonette," his radio technique did not prove very effective. And it may well be questioned whether, if it had, much would have been

accomplished, for about all that he dared to ask was power to originate finance bills in the Cabinet and to dismiss Parliament without the consent of the Senate. It will take more than that to make French democracy function efficiently! At any rate, the "Cabinet of national unity" fell to pieces; Doumergue returned to the retirement from which he had so reluctantly emerged; conservative mobs howled imprecations beneath the windows of Herriot's hotel, and Flandin, who had the confidence of the banks, stepped forward to conduct his "last experiment."

But not all the troubles of the French Republic are due to the venality or stupidity of the politicians. Economic causes are also working to produce a demand for change. Unemployment is growing fast. As late as 1930 France could boast of less than 25,000 registered unemployed. Since then, however, the number out of work has steadily gone up until, by the end of February, it passed the 500,000 mark. This, remember, refers only to officially registered unemployed; it is generally held that such figures should be multiplied by four to get the full unemployment picture. Moreover, account should be taken of the effect on the temper of the unemployed of the arrival in France since the war of something like 2,000,000 aliens, with the prospect of more to come.

Figures such as these are what have to be kept in mind when one reads of the economic success of the Flandin government. Because of that government's extraordinary banking support, the press has been filled with extravagant praise of its achievements in passing a budget and imposing a new deal on the wheat and wine producers. But neither of these accomplishments appears in the same light to the ordinary Frenchman as to the banker. Passing a budget does not mean as much as the fact that the budget contains extraordinary increases in military items—which mean more taxes, and the prospect of more war. Getting rid of the pegged price of wheat and introducing a species of "controlled scarcity" in the vineyards may look like good business to the bureau heads in Paris, but it makes no hit in the agricultural regions. As a matter of fact, when it comes to the average citizen's idea of the economic situation as a whole, nothing that the Flandin government has done makes an impression comparable with the Citroën crash. If big business is beginning to topple, then the outlook is serious.

Taxes are still going up, while the national debt, regardless of the war debts, has now reached the fantastic total (fantastic to a Frenchman) of 7,000 francs per inhabitant. The drastic cutting of government payrolls, in a country where, without counting the army and navy, one in every fifty has been employed by the government, has also helped to spread discontent. After all, payroll pruning may be accepted as a sacrifice for a great cause, but it is something else again to sacrifice one's job and one's income in order to make more secure the place at the national trough of a lot of Deputies and bureaucrats who already reek with the stench of corruption.

Of course the currency question is involved. Flandin entered office promising that he would never take France off the gold standard. But his opponents in the Chamber were quick to point out that he did not say that France would never go off gold. Having already seen investments reduced 80 per cent by the devaluation of 1926, the *rentier*—traditionally the

most powerful factor in French politics—is in a continual state of nerves over the possibility that further currency manipulation may wipe out the value of his investment in government bonds. This fear registers clearly in the hoarding of currency; almost half the current note issue of 80,000,000,000 francs is now hidden away in socks or shoes.

One other element in the situation must not be minimized—the prospect of war. Every step that Germany has taken toward recovering her military power has increased the French feeling of insecurity. Taxes to meet the changing military situation thus grow, along with resentment against a government which has permitted the German menace to reappear.

For reasons of this sort—and for others of a minor nature—the French stage looks as if it were being set for the entrance of a Fascist dictator. Where will the Fascist support come from? Not from the Royalists or from the comic-opera groups with the colored shirts and the snappy berets. The Fascist drive, when it comes, will gather from two sources its power to deal the Third Republic a knockout blow—from the disillusioned youth and the exasperated war veterans.

It was youth, reactionary youth, that staged the riots before the Chamber of Deputies in February, 1934. It is youth, radical youth, that has forced the united front of Socialists and Communists to prepare for armed resistance, if necessary, to a Fascist coup. French youth runs the gamut of political opinions, but significantly enough it unites on one thing—its passionate assertion that parliamentarism is a corpse. "Those who want to reform the parliaments are under strong illusions," writes Jean Roullier in *La Lutte des Jeunes*, one of the scores of "youth magazines" which have sprung up in recent months. "One cannot reform what does not exist."

That is the authentic voice of the post-war generation in France, whether it speaks from the right or from the left. At the moment this youth agitation tends to be anti-capitalistic as well as anti-parliamentarian. Thus one finds a weekly like *Nouvel Age* explaining its revulsion against "the method of the past" by printing in parallel columns the "visible Cabinet," headed by the Premier, and the "real, occult government," which it declares consists of six bankers, two steel and munitions manufacturers and a few satellites from other industries. All this really means is that these youngsters, graduating from university and technical school, find a glutted labor market. They will be quite ready to be pulled into the Fascist camp.

Even more important is the war veteran. Last December hundreds of legless war veterans camped in the streets around the Paris Opéra, holding up traffic, demonstrating against cuts in their pensions. The newspapers ignored the incident, but it revealed the temper of a part of the French public which cannot be safely ignored. Ever since February, 1934, when seventeen were killed and 500 wounded in the Place de la Concorde, two rapid developments have been in progress among the war veterans of France, both of which may affect the nation's future.

The first, probably of lesser importance, has been the emergence of the conservative veterans as a self-conscious political group. By this I do not refer to the empty threats of the Confederation of War Veterans, with its 3,500,000 members, to employ direct action to impose its will on the government. But last Autumn, when France and Germany were drifting

toward a collision over the Saar, a group of French veterans, headed by two members of the Chamber, took the bit in their teeth and went straight to Hitler seeking some sort of new deal. After all, they reasoned, what essential difference was there between themselves and the German Reichswehr? Their success in opening the way for the negotiation of the Saar agreement gave these ultra-conservative veterans new importance and self-confidence. Meanwhile, their representatives in the Chamber provide an obvious means by which Colonel de la Rocque and his Fascist veterans can exert direct influence on the government.

When the prospect of fascism is discussed in France these days it is always the name of Colonel de la Rocque that dominates the conversation—and with reason. In the brief period since the riots of February, 1934, the colonel and his Croix de Feu have practically absorbed the Fascist movement. Colonel de la Rocque is the ideal Fascist demagogue. Taking over an organization, the Croix de Feu, originally nothing more than a body of veterans who had been decorated for gallantry under fire, he has by his oratory and his personal magnetism created an army already numbering at least 300,000, and said to be growing at the rate of 600 recruits a day. There is even an air branch, with eighty fighting planes complete with pilots and all necessary equipment. As to how this host has been armed, more than a hint may be gathered from an item in the French press on Dec. 5, 1934, which stated that the annual inventory at the Versailles armory had shown that 336,400 rifle and 155,000 revolver cartridges had disappeared during the previous year.

So real, in fact, is the power that Colonel de la Rocque is already in a position to exert that, before making way for Flandin, Doumergue sent for him and made him personally promise not to upset the applecart. Colonel de la Rocque submitted to Doumergue's appeal, but could not refrain from issuing an address to the nation which, under the guise of an open letter to Doumergue, reproached him for giving up office without first "testing the worth and using the resources" of the forces which the Croix de Feu was ready to throw into action.

Colonel de la Rocque is cannily vague concerning his program. Several months ago the Croix de Feu adopted a platform calling for a corporative State, a Parliament of experts and government control of industry. But the commander has never committed himself to anything as specific as that. "Take France away from the politicians and give it back to the French people!" That is his slogan, and he considers it enough of a program to gain power. It probably is. There are rumors that, in his hidden hours, the colonel has been taking lessons in elementary economics. But what he wants to be, what he intends to be, is the iron-fisted, simple-minded patriot-dictator who is at hand when the last parliamentary dodge has failed.

Some observers argue that the formation of the united front by Socialists and Communists will save France from a Fascist uprising. Not long ago Gaston Bergery, Radical Deputy, warned a committee of the Chamber that a Fascist coup would be met by armed resistance from the working class. But neither such a threat nor the strength of the radical alliance seems likely to head off a man like de la Rocque. One reason is that the very conspicuousness of the Socialists at the public trough, not only in Paris but in many of the provincial cities, makes the veterans ready to fight.

Another reason is the Communist adhesion to the united front, which scares at least as many conservatives into approving an armed Fascist program as it reassures supporters of the Parliamentary order. All that the united front seems likely to accomplish is to make impossible a peaceful transition to a Fascist régime.

There is a widespread belief that rural France is too firmly wedded to the Republic to be seduced by any Fascist adventurer. That may be so, but last year discontent seethed in cities as wide apart as Marseilles, Strasbourg, Lille, Valenciennes and Calais. "The French people as a whole," an American correspondent wrote, "are psychologically unprepared to endure a long depression without vigorous reactions in one direction or another." Nor should it be forgotten that Flandin's action in "unpegging" the price of wheat has been as unpopular with the farmers as it has been popular with city consumers.

Then there are those who contend that there would be no gain for big business in a Fascist revolution, and so no ample source of funds to bring it to pass. Mussolini came as the savior of Italian big business, which saw its factories in the hands of workers' soviets. Hitler came as the savior of Thyssen and Krupp, who thought they were going down beneath the weight of Socialist taxes. But the Flandin government or any government built on the centre, ranging from Herriot's Radical Socialist party rightward to the Royalists, it is argued, is already a big business government, taking its orders directly from the banks and the Bourse. Why, then, should French big business imperil a rule with which it is thoroughly familiar by bringing into power an unpredictable quantity such as Colonel de la Rocque?

Possibly a Fascist régime can be avoided in France because of two intangible factors. For one thing, the French are not, by nature, an excitable people. On the surface they may effervesce, but underneath they have tremendous poise. Your Frenchman has humor, and he has an abiding realism. These qualities will go a long way toward protecting him against falling for the Fascist nostrum.

A Fascist dictatorship in France might seem more certain if it had not been prophesied so long and so loudly. After the orchestra has played the overture for the entrance of the "leader" about a dozen times and still nobody appears, the audience is likely to advise the stage manager to skip that act and put on something else. Here again French humor has to be taken into account. Last Winter the *Petit Journal* of Paris held a prize contest to stimulate circulation. "If France were to have a dictator, whom would you choose?" Underneath was the coupon, together with about forty names of candidates, ranging alphabetically from the Abbé Bergey to General Weygand, including, of course, General de la Rocque. It is just possible that the editors of the *Petit Journal* meant this to be taken seriously, but it may have been a neat Gallic way of killing the dictator idea by ridicule. Even a Paris editor knows that dictators do not come from sending in newspaper coupons.

Washington Tempo

By FRANCIS BROWN

THE forsythia is a mass of yellow and the magnolias about the Capitol are bursting into bloom. Gardeners are at work on the White House grounds; the whirring of a lawnmower carries to passers-by on Lafayette Square. In the balmy air the host of Federal employes move a little more restlessly. There seems to be a feeling of new hope, of rebirth.

That is the mood of nature; it is not the mood of Washington. In these early Spring days the prevailing tone of the capital city is one of discouragement. Two years ago the Roosevelt administration in the first flush of enthusiasm was moving rapidly ahead. Today all that has worn off. Men see more clearly now than they did twelve or eighteen months ago; they see the New Deal in all its nakedness, with its bruises, its scars, its misshapenness. Tired and disappointed, they wonder what, if anything, comes next.

Congress is meeting and popular interest is centred at the Capitol end of Pennsylvania Avenue. Senators and Congressmen and all the supernumeraries who cluster about them are actively engaged in what has to date been a dull and colorless session. Though the Democrats have large majorities in both houses, the party leadership has been weak. Unquestioning enactment of legislation is apparently a thing of the past, so far as this administration is concerned. The legislative mill grinds slowly and until the end of March ground exceeding small.

It does not take a seer to size up the situation. Much of the trouble is due to Congress itself. In both houses are old-line Democrats and old-line Republicans, Roosevelt Democrats and Republicans more radical than Roosevelt. There are, besides, the handful of men from Wisconsin and Minnesota who for the moment represent the extreme left of practical politics in America. Through such a conglomerate group, as any one can understand, it would be difficult to push the most innocuous of legislative programs; it is still more difficult to force through liberal measures, because the majority of these representatives of the people have little sympathy with the New Deal and all its works. Most Senators and Representatives, so it seems, would like nothing better than to pass the routine appropriation bills and then return home, leaving holding-company legislation and the like in committee pigeonholes. But a mile away in the White House sits a man who has other views; when he snaps the whip Congress acts.

Strangely enough, the President has hesitated to use his influence. One explanation is that he does not relish the epithet of dictator hurled at him a year ago; he wants Congress to move without too much prodding. There are other stories going around —that Mr. Roosevelt wants to restore business confidence, that he wants to have conservative as well as liberal support. He is slow to urge measures which might cause more sleepless

nights for America's business leaders.

Such strategy may be dangerous if not futile. In the Capitol cloakrooms it is repeatedly pointed out that the President's support lies with the liberals and with the disgruntled masses, not with the conservatives, who in their hearts hate him, even though in public they sometimes do him honor. In trying to please both conservatives and liberals the administration stands in a fair way of falling between them. One does not need to journey to Washington to understand that.

There is another angle to White House policy, an angle so obvious that it risks being overlooked. With overwhelming Democratic control of Congress, it seemed at first that no pressure would have to be exerted by the Chief Executive. Since a large portion of the members were dependent upon him for their places, they would obey his slightest nod. Such is said to have been the word carried to the White House by the party lieutenants on the hill. It was poor advice, as the ordeal of the relief appropriations bill quickly showed.

The Senate at the moment is occupied with the relief bill, which was to have been passed weeks and weeks ago. To Senator Glass, who detests the bill and sincerely believes that the $4,880,000,000 appropriation will wreck the public credit, has fallen the management of the measure. This old Roman leaves no doubt of his dislike for the bill at the same time that he skillfully pilots it through a shoal of amendments. During the monotony of debate he sits disconsolate, drumming his fingers irritably on the arms of his chair; now and then he rises to fling a stinging rebuke at a colleague who would hamstring the administration's measure.

Senators and pages drift in and out of the chamber. Debate for the most part is dispirited and, since Senator Long is in Louisiana, the galleries are but partially filled. At last the moment for a vote comes. A gong sounds in the corridors and cloakrooms; the chamber fills; Vice President Garner, with his snow-white hair and crimson face, takes the chair. Quickly the roll is called. Another amendment has been defeated.

At the other end of the Capitol the House is tackling the veterans' bonus. There is no question in any one's mind that the bonus bill will not pass. Each member knows how he will vote, but debate goes on—for the *Record*. As always, the House presents a scene of tumult, and the tumult is not lessened by the applause members give one another's speeches. Observers find it hard to believe that in reality this is a hard-working body. The public knows little of the drama in committee rooms.

Every morning Congressional committees are in session. Some hold open hearings to which, in addition to the lobbyists and the press, come Washington matrons and those strays whose business, if any, is unrevealed. Over in the House Office Building, for example, the Daughters of the American Revolution are vigorously supporting a bill against the circulation of subversive literature among the soldiers and sailors. Arrayed against the Daughters are liberals who appeal to the principle of free speech and who point out the danger in suppressing ideas, whether radical or conservative. Arguments like these fail to impress the supporters of the bill half as much as the stupefying revelation that the Library of Congress shelters the works of Karl Marx.

This sort of hearing goes on constantly and without the fanfare that attends those relating to the NRA, the AAA, or the bill against holding

companies. There was a time when the Nye munitions inquiry held the spotlight, but of late there has been little news of its disclosures and public interest has fallen away. But, though others may hold the stage, the Nye committee pushes ahead with an investigation which has proved as unpalatable to the administration as to the munitions makers.

Members of Congress are ever ready to talk off the record. Corner them in their offices or anywhere and they will admit their worry over recovery's tardiness. "There has been no fundamental improvement," one Senator said, "nor do I expect any." From a Representative comes the confidence that in private the Democrats are grumbling more and more about New Deal proposals. The Republicans insist that they are more sure of themselves this session—strange that they should be, for the more realistic among them admit that their party is without leadership, money or ideas.

All this talk at the Capitol or in the near-by office buildings does not give one the jitters, but it does leave a sense of distressing uncertainty. You come to realize that evolution may be as painful as revolution. Funny that so recently as 1933 the New Deal was regarded as revolutionary. Now the President seems almost a conservative, a bulwark against American radicalism.

Today the menace to stability is embodied in Huey Long. Thanks to his own shrewdness and the missteps of men close to the administration, he has become a national figure. Let it be noised about that Long will speak, and the Senate galleries are packed, with hundreds outside waiting for seats. Even the soberest of men are fascinated by Long's unquestioned ability in debate, by his showmanship and by his rapid rise. They also fear him, for he is incalculable and his influence in the country is yet untested. Long holds far greater space in Washington conversation than any other person or topic. Minor scandals and intrigues are passed over quickly. When a Congressman is indicted for selling an appointment to West Point, that's a joke. But Huey Long is a subject for serious discussion.

In one of Washington's ever-present taxicabs the visitor shuttles between the Capitol and his hotel. The wretched blocks which have long bordered Pennsylvania Avenue have nearly disappeared, giving way to what some day will be a magnificent plaza and to the huge new buildings which house an expanding bureaucracy. "It takes a lot of people to administer the depression," remarks the driver. They are overpowering, these vast structures with façades so reminiscent of Paris, and ultimately more will be added until the government's plant will surpass any yet dreamed of on this earth.

The government's construction program has helped to keep hard times from Washington's door. The roll of public employes, moreover, was never contracted to any extent by economy moves, and the rolls have swelled mightily in the past two years. Small wonder that the city seems prosperous—that is, if one does not look too closely. A taxi-driver gave a clue to what goes on beneath the surface. "I tried to get a restaurant job this morning," he said, "but they pay only five bucks a week and your eats. Even cab-driving is better than that."

At the end of the day the cocktail hour affords an opportunity for relaxation and quiet small talk; it also gives one a chance to learn more of the government and its problems. There is much sympathy for the Presi-

dent at the same time that it is whispered that his popularity is waning. He has had, the correspondents admit, a good deal of bad luck. His aides have shown more skill in fighting with each other than in cooperating. Jealousy and intrigue in high places have been the result.

Appointments, one after another, have gone sour. Men to whom the President had hoped to delegate authority have been found wanting. There have, of course, been appointments which were obviously weak, and there have been others which in the beginning promised much, only to fizzle out. Though the responsibility for some of these misfortunes must rest with Mr. Roosevelt, that makes his burden no lighter. He has been obliged to do too many things for himself and he is tired. Any one who sees him quickly detects the cares of office on his face.

Though Washington at present thinks more about domestic than foreign affairs, the gossip stimulated by an Old Fashioned or a Martini embraces activities at the State Department even as it does those at the Department of Agriculture. Our foreign policy, you will hear, has been no more successful than the domestic. Yes, so the story runs, divisional heads are to blame. It is they who have upset first one move and then another. Even the magnificent parties at the Soviet Embassy did not prevent their sabotaging our Russian policy. Perhaps it would have been different if the gentleman from Tennessee had not been so engrossed in his reciprocal trade treaties and his quest for Latin-American friendships. All this, remember, is only gossip.

The capital city is a busy place, but not too busy for a full social life. Elegant teas at the Mayflower, embassy receptions and the round of dinners, musicales and whatnot fill the social columns of the press. Such diversions are an important part of the Washington pattern, but they seldom involve the average visitor poking about for information. For him the informal, impromptu little parties of the lesser lights in government are more interesting.

It is in such gatherings that one encounters disillusionment. Usually the guests include men and women who dropped an academic career or a law practice to join the New Deal crusade. These people feel badly let down. The AAA purge killed their last hopes; they have little faith left in either the President or his chief assistants. Sometimes they try to recall that faraway age when people worked day and night to inaugurate the New Deal, when the lights burned to all hours in the Commerce Building, when, if human endurance held out, it seemed certain that a new America could be created. Was it, they ask, only a bitter joke?

The tempo is slower now. People are not working so hard. Life is easier and less exciting. Business men who a short eighteen months ago swamped the city are not so numerous, nor are those who register at the New Willard or the Washington in any great hurry. There is plenty of time to linger at the Occidental, where Senators and bureau heads and visiting firemen dine well under the autographed pictures of worthies past and present. Then out into the evening, past the glancing street-walkers, to Anna Sten in *The Wedding Night* or Eva Le Gallienne in *L'Aiglon.*

Mitsui: Business Barons of Japan

By FRANK C. HANIGHEN*

ALTHOUGH No. 1 Suraga-cho, in Tokyo, is small and architecturally modest, the building masks behind its unpretentious exterior the greatest business power of Japan, the firm of Mitsui Gomei Kaisha. As Baron Takuma Dan, managing director of Mitsui, stepped out of his limousine in front of the building on the morning of March 5, 1932, a young man with a revolver ran up and fired. Takuma Dan died a half hour later while the police were listening to the assassin's vituperation of Japanese big business. With all due respect to the Samurai soul of Baron Dan, Mitsui Gomei Kaisha continued to do business, undisturbed by its loss. Baron Dan was important, but not essential. Mitsui is more than a business firm, with a mortal general manager. It is a family, a tradition, a State within a State, an indestructible trade-mark. It is the industrial base of the Son of Heaven, the economic Shinto creed of modern Japan, even the yen sign itself in front of the gross figures of Japanese business.

The Mitsui family is composed of eleven related branches, each of which has well-trained members prepared to carry on the business. Baron Dan was but a hired executive, and when he passed to his ancestors, the Mitsui family council, a body unique in business annals, appointed Takakimi Mitsui to his place. When he dies the family council will readily produce a successor. Nowhere else in the world is there such an all-important and self-perpetuating body as the Mitsui family council. But there is a power above even this body.

Whenever a young Mitsui, fresh from the Massachusetts Institute of Technology, Harvard or Keio University, comes of age, he is inducted into the family council, in an ancient religious ceremony, by taking oath to the family constitution. This extraordinary document, first written by the founder of Mitsui over two centuries ago, rules the conduct of the family, as council members and as individuals, as a social unit and as a business firm. From its sage precepts has been formed the family's far-flung business empire of today.

It seems incongruous that this medieval-like council, guided by a seventeenth century constitution, should be the forerunner of that most modern of corporate organizations, the holding company. But Mitsui Gomei Kaisha is much more than a mere bookkeeping arrangement. It is a sort of general headquarters, directing the policies of the various Mitsui enterprises. It is the god-head of Mitsui Bank, Ltd., which was founded in 1673, and from which the famous speculation in the yen several years ago was handled. Its most fruitful descendant has been Mitsui Bussan Kaisha, a vast importing and exporting company. Mitsui Bussan Kaisha has branch offices in New York and London; it controls La Société Anonyme

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Française Bussan at Lyons, the Deutsche Bussan Aktien-Gesellschaft in Berlin, Mitsui-Bussan-South Africa; it has extensive tea plantations in Formosa, rubber plantations in Malaya, cotton fields in China and Abyssinia and trading establishments in every important city in Asia. Indeed, when a Japanese arrives in a foreign city, instead of looking for a Japanese Consulate, he goes to the local agency of Mitsui, for the foreign branches of Mitsui outnumber the consular and diplomatic posts of the Japanese Empire. Finally, in Japan itself, Mitsui Gomei Kaisha owns coal mines, steel mills, chemical companies, textile factories, insurance companies and engineering works. Mitsui is indeed the largest dragon on the tapestry of Japanese industry.

Mitsui is one of the oldest of the big business firms of the world, for it was founded in the seventeenth century by one Hachirobei Mitsui, and has remained in the hands of his descendants ever since. Hachirobei was a dry goods merchant of great vision and enterprise. He started the Mitsui department store in Tokyo (then Yeddo) and made it successful by introducing several startling innovations. "Cash Payment and Single Price" was indeed a novel policy in a society that paid its bills once a year and loved to haggle. But it became popular. Then Hachirobei turned to advertising, and the fame of his store spread when he gave away umbrellas lettered with the name of Mitsui. From advertising he proceeded to publicity, subsidizing not only theatrical impresarios to introduce references to Mitsui in the actors' lines but also authors to insert praise for Mitsui in their books. Specimens of this early advertising and publicity are preserved in the curious Mitsui Museum in Tokyo today.

In the banking field, Hachirobei was also a pioneer. He was the first to adopt the principle of exchange in a country that had always sent its money payments from city to city by courier. Another device attributed to him was "wrapped money." He wrapped coins in paper, stamped the package with the seal of his house and wrote on it the amount of its contents. So high was the prestige of Mitsui that these packages circulated at face value, unopened. Thus "wrapped money" was a precursor of present-day paper currency, giving its user the additional security of being able to "feel" that a precious metal was "behind" it.

But Hachirobei's greatest gift to his family was his famous "family constitution." It is a code for the Mitsui. It stands alone in the history of business not only for its precepts but also for its success in holding together a family commercial enterprise for over 250 years. Here it is, as translated from the original, which is kept in the Mitsui Museum:

1. The members of the House should deal with one another in close friendship and with kindness. Beware lest contentions among the kin should in the end ruin the entire House.

2. Do not endlessly increase the number of families of the House. Everything has its limits. Know that over-expansion, which you may covet, will beget confusion and trouble.

3. Thrift enriches the House, while luxury ruins a man. Practice the former, but avoid the latter. Thus lay a lasting foundation for the prosperity and perpetuation of our House.

4. In making marriage, incurring debts or underwriting others' debts, act always according to the advice of the family council.

5. Set aside a certain amount of the annual income and divide it among the members of the House according to their portions.

6. The life work of a man lasts as long as he lives. Therefore, do not, without reason, seek the luxury and ease of retirement.

7. Cause to be sent for auditing to the main office the financial reports from all

branch houses; organize your finance and prevent disintegration.

8. The essential of a business enterprise is to employ men of great abilities and take advantage of their special talents. Replace those who are aged and decrepit with young men of promise.

9. Unless one concentrates, one fails Our House has its own enterprises, which are ample to provide for any man's life. Never touch another business.

10. He who does not know cannot lead. Make your sons begin with the mean tasks of the apprentice, and when they have gradually learned the secrets of the business, let them take posts in the branch houses to practice their knowledge.

11. Sound judgment is essential in all things, especially in business enterprises. Know that a small sacrifice today is preferable to a great one tomorrow

12. The members of the House should practice mutual caution and counsel lest they should blunder If there be among you any evil-doer, deal with him accordingly at the family council.

13. You who have been born in the land of the gods worship your gods, revere your Emperor, love your country and do your duty as subjects.

This document represents the fruit of Hachirobei's wisdom and observations during his business career. He saw inheritances split among many heirs and the resultant death of many family firms. Accordingly he made his constitution a sort of entailment so that the original fortune is intact today. It was an age of luxury and ease in Japan. Rich men retired early, and their business suffered. Hachirobei, perceiving this, set down the sixth commandment. Hence generations of Mitsui have heeded the words, "The life work of a man lasts as long as he lives." Recently the fourteenth Baron, Hachiroyemon Mitsui, retired. But he had reached the age of 77 and felt that his place might better be held by a younger man, as recommended in the eighth commandment.

"Employ men of great abilities" inspired the Mitsui of the twentieth century to lift the obscure but energetic and able Takuma Dan to the head of their firm. "Make your sons begin with the mean tasks" put Takikimi Mitsui, present head of Mitsui, to work at the bottom, to learn the business. "He who does not know cannot lead." So, many of the Mitsui who are now heads of various branches of the business studied in American universities. But however much they may have admired American customs, tennis-playing or country-club amusements, they all conform to the rules of old Hachirobei. The family council, today just as in the seventeenth century, decides on the propriety of marriages that Mitsui heirs propose to contract, and none of the young men or women dares oppose their decisions. Divorce, of course, is unrecognized at the present time, as it was 250 years ago.

Piously following the precepts embodied in the family constitution, the Mitsui for 150 years patiently built up their banking and dry goods business. Then a curious incident gave them a new impetus. When Commodore Perry landed in Japan in 1853 and introduced American habits to innocent Japanese eyes, the Mitsui sent an artist (precursor of the modern photographer) to draw a likeness of Perry. The artist's impression, as it may be seen now in the Mitsui Museum, looks like a caricature, with its sharp features and ludicrously long nose. But it was not a caricature. It was simply an expression of Japanese astonishment at the sight of the extraordinary Occidental nose. The picture of Perry forwarded to the Mitsui headquarters caused a sensation and the artist was sent to make studies of the ships, tools and other things belonging to the Americans.

The innate imitativeness of the islanders now emerged, and an epoch of discarding old and adopting new customs began, with Mitsui leading

the crusade. Several kimono-clad young Mitsui were sent to the United States to study banking, and their observations led to the remaking of Japan's banking system. In every direction Mitsui and Japan began to make rapid progress. A new and modern-minded dynasty, the Meiji, came into power and in the struggle which placed their leader in the chair of the Mikado the Mitsui backed the winning side. The Mitsui thus got a good start in the modern industrialization of Japan with the aid of the grateful government. They received permission from the Mikado to build the first privately owned munitions plant in the country, the Japan Steel Works. When the great war came, Mitsui was one of the most active producers of armaments and became fat on war profits.

In the centre of Tokyo stands the vast estate owned by Mitsui. It overlaps two city wards and contains the baronial palace of the Mitsui and elaborately landscaped grounds. Inside the high walls are woods, drives, lagoons, gardens, and in the palace beautiful paneled ceilings, mosaic floors, a profusion of silver and cut-glass, and valuable Gobelin tapestries. Here the family gives its sumptuous dinners at which industrialists, politicians and the diplomatic set mingle. The fifteenth Baron Mitsui, wearing the Imperial Order of Merit, a very exclusive decoration, presides at these functions, but the family gives the party, for, in social life, in government, in business, in philanthropy, it is always the "family" that acts. The family gives millions of yen to earthquake victims. The family endows Keio University. The family establishes a new chemical works.

Impressed by all this, it may be asked whether the Family, set serenely like Olympians on this cloud-wreathed seat in the middle of one of the greatest capitals in the world, really dominates the Japanese Empire. It certainly seems to, at least on the surface. It has traditions, trappings, industrial power and the always valuable governmental connections. On the seven seas, Mitsui has come to be identical, in a commercial sense, with Japan. Yet the picture is not quite so serene. Actually Mitsui is engaged in a fierce struggle for power. It is fighting to retain its dominant position in foreign trade, in domestic business and in politics.

Old Hachirobei could not foresee this twentieth-century combat, and his thirteen commandments include no advice that can specifically guide his descendants in the complex matters of modern society. "Never touch another business" was all very well in the seventeenth century, but today a gigantic firm like Mitsui must acquire other lines of business. Vertical organization makes for survival today. Since the war, with heavy munitions profits to invest, Mitsui has had to branch out, to place capital, to swim with the new tide of industrialism, to fight other growing trusts. That is why the family constitution has been revised and brought up to date. That is why Mitsui has entered politics to combat the growing strength of another business dynasty.

The industrial struggle is quite clear-cut. Every little brown man in the street knows about the bitter rivalry of the firms of Mitsui and Mitsubishi. The latter, owned by the Iwasaki family, has not the antiquity or traditions of Mitsui. But it has built up an impressive pyramid of banks, insurance companies, trading concerns and factories. The antagonism goes deeper than mere trade competition, for it is a fight between industry and finance. Mitsui is mainly interested in

trading and manufacture, Mitsubishi in banks and insurance companies, though, as a matter of accuracy, the line-up is not so simple. Mitsui owns banks and insurance companies, is, indeed, interested in finance. Mitsubishi is a great ship builder, trades goods to a large extent in Asia and South America, is interested in industry. But in general Mitsui is more interested in industry and Mitsubishi in finance.

The outward political expression of this struggle may be seen in the party lines in the Diet. The Minseito backs policies favorable to the Mitsubishi, the Seiyukai those which may help the Mitsui. It is generally admitted that the two firms have contributed heavily to the funds of their favorite parties. One can find the key to much that has happened and is happening in the Far East by following the ups and downs of the Minseito and the Seiyukai. In general, the Minseito, representing the cautious banking policy of the Mitsubishi, has favored a conciliatory foreign policy, international cooperation and the stability of the yen. The Seiyukai, for the most part, have backed an aggressive attitude abroad, a nationalistic program and a managed currency, all of which are designed to help the Mitsui in the struggle for new markets and in underselling in international trade.

This antagonism came to a climax in 1931, when Japan was suffering from the world-wide depression and Mitsui trade was falling off heavily. The Japanese military started the Manchurian war. The Minseito party, in power in the Diet, but with virtually no control over the army, opposed the move with weak support—a policy that was thoroughly in line with the cautious international ideas of the banking Mitsubishi. The Seiyukai rushed into this breach, made an alliance with army sympathizers and overthrew the Minseito government. The Seiyukai not only got control of the Cabinet and supported the war enthusiastically, but what was more important for their backers, the Mitsui, took Japan off the gold standard.

This last move was indeed a great triumph for the Mitsui. With the consequent dislocation of the yen on the international exchange, the industrial enterprises controlled by Mitsui were able to sell their goods abroad more cheaply. The cotton-goods industry of Japan, which had been battling for markets all over the East, was especially helped by this currency measure. The Mitsubishi, interested in the stability of the yen, were in complete rout. The Kinka Cotton Spinners Association, controlled by Mitsui, was reported to have celebrated the event in a boisterous manner, with copious libations of saki and with geishas. But the middle classes of the country were not so happy. They had suffered not only from the monetary manipulation but also from the growth of large-scale business, chain stores and so forth. The Japanese farmers and fishermen, too, had suffered. Middle-class terrorist organizations began their work and a number of prominent men were attacked. The assassination of Baron Dan was the climax of this bitter outbreak.

Yet in spite of assassinations and popular unrest, policies favorable to the Mitsui interests were maintained. Today the Mitsui triumphantly bestride Japanese business. They have had for years an interest in the South Manchuria Railway, probably the most lucrative of the enterprises in Japan's new territory. They seem to have made connections with General Araki, leader of Japan's Fascist movement. They apparently work in conjunction with the Foreign Office of the government. Thus, in December, 1934,

Baron Mitsui endowed a chair of Japanese studies in Warsaw University, a move that coincided with talk of an alliance between Poland and Japan as against Russia.

All this seems to bear out assertions that the present head of the family, Takakimi, who assumed leadership on the retirement of Baron Hachiroyemon Mitsui, has brought new and more aggressive policies to the direction of Mitsui. But still behind Baron Takakimi stands the old institution of the family council, and behind the council is the centuries-old family constitution. The force of it still bows the head of every member of the family. Even now, in 1935, the latest Mitsui to come of age must swear allegiance to it, in the following impressive oath:

> In obedience to the precepts of our forefathers, and in order to strengthen the everlasting foundation of the families of our House and to expand the enterprises bequeathed by our forefathers, I solemnly vow in the presence of the August Spirits of our ancestors that, as a member of the House of Mitsui, I will observe and follow the regulations handed down in the Constitution of our House, and that I will not wantonly seek to alter them. In witness whereof, I take the oath and affix my signature thereto in the presence of the August Spirits of our ancestors.

Thus the Shinto spirit of old Hachirobei prevails, as does the fundamental moral of the document, the insistence on duties rather than rights, on the family rather than the individual. No wonder the Japanese Department of Education, intent on preserving the institution of the family, has introduced pictures and biographies of Hachirobei and Ju-ju, his wife, into school books, the father in the boys' primer, the mother in the girls'.

In no other large business institution in the world has this power of the family been maintained so strongly. Every month, the family council, consisting of the heads of the eleven branches, to which not a single addition has been made since the seventeenth century, and also the retired heads and such of the heirs as have attained their majority, meets in secret session to pass on questions of business and social policy. For many years Baron Hachiroyemon was likened to the King of England. He had titular power as head of the family and could veto decisions of the council. But so great was the family solidarity that he has never exercised the right. His son Takakimi now observes the same policy. The barons of the Mitsui reign, but the family holds the ultimate power.

The Fascist Record in Italy

By HOWARD R. MARRARO*

SINCE Italy turned to fascism she has been a standing affront to the American mind. Apart from the Fascist rejection of the democratic system of government and civil liberties cherished by American tradition, and the spirit of nationalism which is stressed in Italian life, it seems to Americans that fascism finally stands condemned because it has failed to improve economic and social conditions, and because it has been the means by which the exploitation of labor has been intensified and the standard of living dragged down.

In a world whose troubles are at bottom mainly economic, nations are rightly judged according to their success or failure in terms of genuine human welfare. What then has fascism done to bring about a happier state of affairs in Italy? That is the question to which, with the help of figures derived in all cases from Italian official sources, we are now going to attempt an answer.

The Italian today is much better fed than he was. For example, in the five years preceding the war the per capita food supply averaged 866 pounds, valued at 845 present-day lire ($75.30 at par) per annum; in the five years 1928-1932 these figures rose to 1,153 pounds per capita, valued at 1,310 lire ($116.74 at par) per annum.

Not only has there been an increase of 50 per cent and more in the consumption of meat, fish, dairy products, fabrics and other necessities of life but luxuries have also shown an advance. Thus, between the five-year periods of 1908-1913 and 1928-1932, the average per capita consumption of tobacco increased from 546 grams (19.11 ounces) to 654 grams (22.89 ounces). Automobiles have increased from 39,253 in 1913-1914 to 100,049 in 1922 and to 464,888 on June 30, 1933. The 96,105 telephone subscribers in 1913-14 have grown to 353,277 in 1933. Moving-picture theatres increased by 22 per cent from 1929 to 1932.

Taking deposits in savings banks as a still more significant index, we find that they have increased from 16,839,000,000 lire in 1923 to 38,000,000,000 lire in February, 1934. If all other saving institutions are taken into account, the estimated total deposits amount to 55,000,000,000 lire. Since the population grew by only about 8 per cent between 1923 and 1934, the increase in the per capita savings has been substantial. Similarly striking figures could be given in regard to insurance.

Thus all indices—consumption of foodstuffs, consumption of luxuries, savings and insurance — uniformly show that the standards of living of the Italian people have improved from 1913 to the present. This improvement is particularly marked during the twelve years of the Fascist régime, and it has not been interrupted by the world economic crisis.

The greater consumption of foodstuffs and the larger accumulation of savings indicate a rise in real, as dis-

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tinct from nominal, wages. From the outbreak of the World War until 1926 the cost of living in Italy increased rapidly, owing to the devaluation of the lira. With 1914 as a base, the index of the cost of living rose to 516.7 per cent in 1926. When the lira was stabilized on gold in 1927, the index dropped and continued to do so in the following years as a result of the reduction in prices due to the world economic crisis. In the first half of 1934 the cost of living index had fallen to 344.2 per cent.

The index of nominal wages increased up to 1926, when the value of the lira fell to its lowest level and prices reached their peak. Since 1926 the deflation policy has necessitated reductions in wages. Yet, while the index of hourly wages fell from 725.7 in 1926 to 545.7 in 1933 and that of daily wages during the same period from 575.1 to 432, the real hourly wages increased from before the war to 1922 by 54 per cent and real daily wages by about 22 per cent. The average daily wage increased from 3.53 lire in 1914 to 15.25 in 1933 and the hourly rate from 0.353 lire to 1.91 in 1933.

Regardless of the economic system under which we live, genuine prosperity depends on social peace—that is, on harmony instead of conflict between different classes. Thanks to the labor legislation of the Fascist régime, there has been no important strike or lockout in Italy since 1926. If differences arise between employers and employes, they are settled by conciliation, or, if this fails, by the special labor courts to which they must be submitted and whose judgment is binding on both parties. During the eight years since the act of April, 1926, was made effective, there have been only two minor lockouts, one lasting twenty-four hours, the other three days. Of the 153 strikes which have come before the courts a considerable number were due to the uncertainties prevailing in the early days as to the interpretation of the act.

One reason why the Fascist economic system is able to insure industrial peace is that it aims at the reduction of working hours and the spreading out of the benefit of shorter hours over larger numbers of workmen. The new problem thus raised of providing for their leisure hours has been solved by the *Opera Nazionale Dopolavoro*. This organization, created in 1925, sees to it that the workmen have ample opportunity for entertainment, education and physical exercise. Furthermore, its health and welfare work is facilitated by agreements under which it obtains discounts for the services of physicians, pharmacists and midwives, together with the free use of consulting centres and clinics.

As part of its program to improve working class conditions, the Fascist government has ratified seventeen international labor agreements, enacted laws to provide assistance in childbirth, to limit the minimum age for industrial and maritime labor and to regulate the use of white lead in paint. Since 1923 it has also revised and improved the insurance laws on accidents, sickness, old age, maternity, unemployment; introduced insurance against occupational diseases and tuberculosis, and established 1,500 medical institutes and dispensaries which in 1932 assisted more than 700,000 women and children at a cost of 114,-352,000 lire.

Housing has also received attention. Besides considerable contributions made for the payment of interest on loans granted for the construction of workmen's houses, the government in 1925 created the National Institute for the Housing of Civil Employes to

construct modern hygienic apartments at low rentals. Thus far over 500,000,000 lire (about $44,500,000 at par) has been spent for this purpose.

During the twelve years of the Fascist régime Italy has made a remarkable recovery of her productive forces. Though primarily an agricultural country, Italy depended upon imports for a large part of her food. She grew far less wheat than she needed, and this shortcoming became more acute as both population grew and the per capita consumption increased. In 1913 when 12,355,500 acres (16 per cent of the total area) were under wheat cultivation the production was 212,860,000 bushels. The value of wheat imported was more than 3,000,000,000 lire, or about one-third of the total imports.

Thanks to the campaign, popularly called the "wheat battle," begun by Mussolini in 1925, Italy by 1933 produced sufficient wheat for the needs of the entire population. From a harvest of 161,480,000 bushels in 1922 wheat production increased steadily to 297,270,000 bushels in 1933. This spectacular result has been achieved largely by increasing the unit production from 13.38 bushels per acre in 1922 to 23.75 bushels per acre in 1933. Although the drought in the Summer of 1934 reduced the yield about 22 per cent from 1933, there is no doubt that henceforth Italy can depend upon herself for her wheat supplies.

Hydroelectric power tells another story of progress under the Fascist régime. Italy is poor in mineral resources, especially in coal, which has to be imported. The government has accordingly encouraged the utilization of the considerable sources of water power in Northern Italy. On Dec. 1, 1932, there were in operation 1,178 electric plants, of which 940 were hydroelectric. The production and consumption of electric power increased from 8,929,262,000 kilowatt-hours in 1928 to 11,239,000,000 kilowatt-hours in 1933. During the first eight months of 1934 the output of electric power was 7,941,200,000 kilowatt-hours, an increase of about 10 per cent over the corresponding period of 1933.

Italy's leading industries have made a distinct improvement. The index of production (100=August, 1928) for August, 1934, stood at 86.59, showing an increase of 5.36 per cent as compared with August, 1933, and of 25.75 per cent as compared with August, 1932. The building trades in particular showed a marked advance, while improvement was also in evidence in the paper industry, the metal and engineering trades and the production of power. Steel production in September, 1934, amounted to 151,275 metric tons, a figure much higher than that for the corresponding month in the four previous years and 48 per cent higher than the output in August, 1931, when production fell to the lowest level reached during the depression. In the cotton, wool, linen and hemp industries the spinning and weaving mills report increased activity from month to month. In the first eight months of 1934 the rayon factories had a record output of 30,739 metric tons, the highest for that period in any year.

The dark side of the Italian economic picture is foreign trade. Imports in 1933 fell to 7,412,700,000 lire, a drop of 854,800,000 lire from 1932; while exports fell to 5,979,600,000 lire, a decline of 832,200,000 lire from the preceding year. The adverse trade balance for the first nine months of 1934 was 1,830,800,000 lire, as against 1,066,000,000 lire for the corresponding period of 1933. The trouble is due to the lower price level, for in volume 1933 as compared with 1932 showed an increase in imports of 793,182

metric tons and in exports of 269,762 metric tons. Exports of textile fibers and fabrics especially have been hard hit by the trade depression, and at the end of August, 1934, Italy's usual credit balance on this account had been transformed into a debt of 123,900,000 lire. The only credit item on the budget was that for food products, which at the end of August, 1934, showed a surplus in Italy's favor of 376,200,000 lire, as against one of 543,800,000 lire at the corresponding date of 1933.

Naturally, the trade balance is a cause for anxiety. Producers and traders are faced by ever-growing hindrances abroad, and their difficulties are multiplied by the dumping of foreign currency on leading markets. The remedy for these troubles is being sought in a reorganization of the export trade and in technical specialization and strict supervision over quality and standardization and grading of commodities. Reciprocal trade treaties are also being resorted to, and during recent months seventeen such agreements have been negotiated, while twelve others are under consideration. Italy's policy is to restrict purchases to those countries which offer the best markets for her exports.

Employment has shown only slight variations from month to month. The number of idle workers at the end of September, 1934, was 887,345, as against 907,463 on the corresponding date in 1933. The ratio of unemployed to the total population and to the working population compares favorably with that of other countries. For example, figures for June, 1934, showed the following:

	Per Cent Unemployed to Total Populations	Per Cent Unemployed to Working Populations
United States	8.2	20.6
England	4.6	10.1
Holland	3.9	9.7
Germany	4.1	8.2
France	3.0	5.6
Italy	2.0	4.1

The low percentage of unemployed in Italy is in part due to the transference by the government of workers and peasants from congested districts to those where work is available. In the five-year period 1929-33 no fewer than 1,711,222 workers were moved. It is estimated that 90,000,000 work days representing 1,100,000,000 lire in wages were thus provided.

More important in keeping unemployment down is the public works policy carried out by the government. During the five-year period 1928-32 public works provided 175,000,000 work days. During the first decade of the Fascist régime, from Nov. 1, 1922, to Aug. 31, 1932, the government spent 24,708,509,497.12 lire or about $2,148,572,000 on public works. Although there has been a certain amount of road building, preference has been given to more productive schemes, such as the reclamation and improvement of land, homes for workmen and civil employes, the rehabilitation of areas damaged by earthquakes, and especially the aqueducts of the Puglie region. Huge areas of marsh lands have been drained, converted into productive land and planted to wheat. Incidentally, public health has been improved through the elimination of the main sources of malaria.

The currency situation is of interest because Italy's progress during recent years has been attained under a policy of deflation. The total currency in circulation, which on Dec. 31, 1925, was 19,349,700,000 lire, was reduced by February, 1935, to 12,265,000,000 lire, while the gold reserve rose from 5,626,300,000 lire on Dec. 31, 1931, to 6,838,500,000 lire in April, 1934. The result is that the lira in February, 1935, had a gold coverage of about 48 per cent. But the lira is further protected by the government's financial policies as a whole. Foreign loans are

avoided and the issue of bonds on foreign markets is restricted to a few productive investments well able to provide for their service and amortization. Other measures have insured to the Italian money market a high degree of independence. Moreover, the banking system has been gradually placed on a sounder basis than it was.

One of the best evidences of the government's financial situation is seen in the issue of the 4,000,000,000-lire Treasury loan for the redemption of 5 per cent nine-year bonds maturing in 1934. Issued at 99, with the interest at 4 per cent, the loan received applications amounting to 9,285,193,500 lire, of which 2,388,133,000 lire represented 5 per cent bonds offered for conversion and 6,897,060,500 lire cash subscriptions. Of these 2,749,496,000 lire was made up of sums not exceeding 10,000 lire subscribed for by 824,-700 out of a total of 885,965 investors. In accordance with its deflation policies, the government also recently authorized the conversion to a 4½ per cent basis of all provincial and municipal loans issued at higher interest rates, the bondholders being offered the alternative of repurchasing at par.

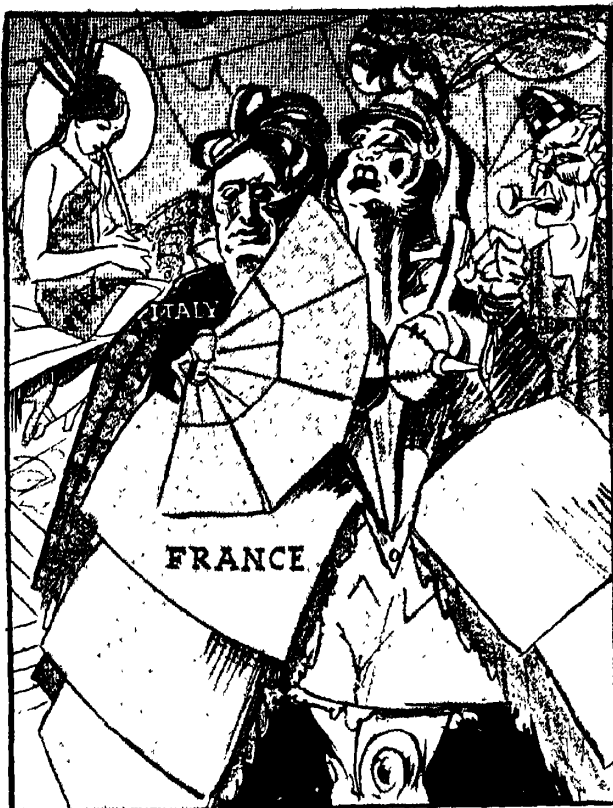
Although the budget has not yet been balanced, the deficit in September, 1934, was 565,400,000 lire as compared to 1,147,100,000 lire in 1933. As to the means to make both ends meet, Mussolini recently said: "I am the first to declare that the pressure of taxation has attained the limit, and that the Italian taxpayer must be given a breathing space of absolute tranquillity; if possible his burden must be lightened." For the purpose of effecting economies the budget has *been divided into irreducible and reducible expenditures, the latter amounting to 5,900,000,000 lire, on which savings of several hundred mil*lions may be made.

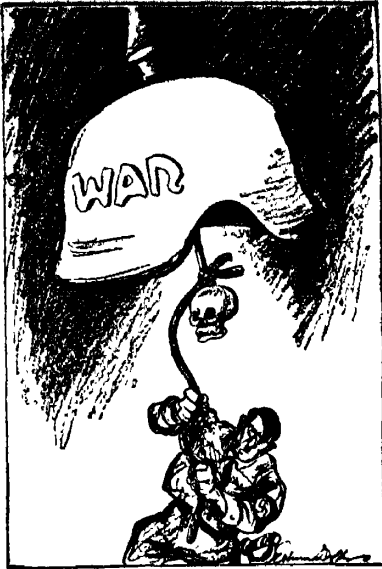
Fascism in Italy has thus made genuine progress toward solving a series of fundamental economic problems. The corporative State insures the active participation of all the working forces of the country in the organization of the State, through an elective and selective process; the reclamation of marsh lands has enlarged the scope of agriculture; industrial activity has been developed; the problem of roads and urban problems of great economic importance have been solved; housing has received attention; a merchant marine of the first order has been built; the "battle of the wheat" has been won and the country freed from paying tribute for food to foreign lands; great public works have been undertaken in many parts of the country; the system of education has been overhauled; religious peace has been restored and the church and State question settled.

Bearing in mind Italy's natural poverty and the world economic crisis which has brought distress and misery to the wealthiest of nations, the economic and social achievements of fascism are truly impressive. Such results can be obtained only by a strong and vigorous government. If there have been limitations of liberty, the Italian people accept them because they appreciate their necessity and find them to be not the caprices of an autocrat but essentials in the building of a more prosperous and happy nation.

Current History in Cartoons

"I am in your hands"

—*Daily Herald*, London

Marianne—"Who invited her?"
—*Kladderadatsch*, Berlin

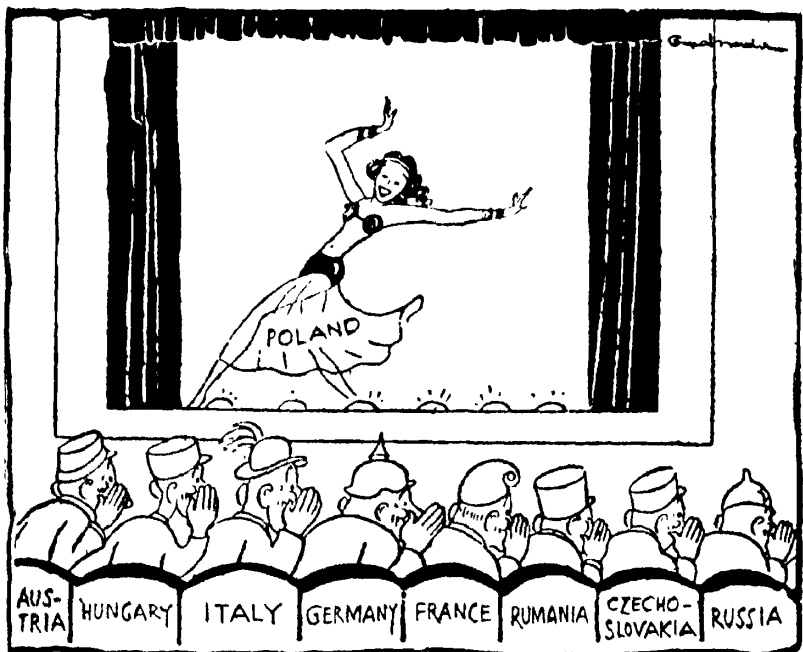
Up in arms
—*Glasgow Record*

The bell of doom?
—The Sun, Baltimore

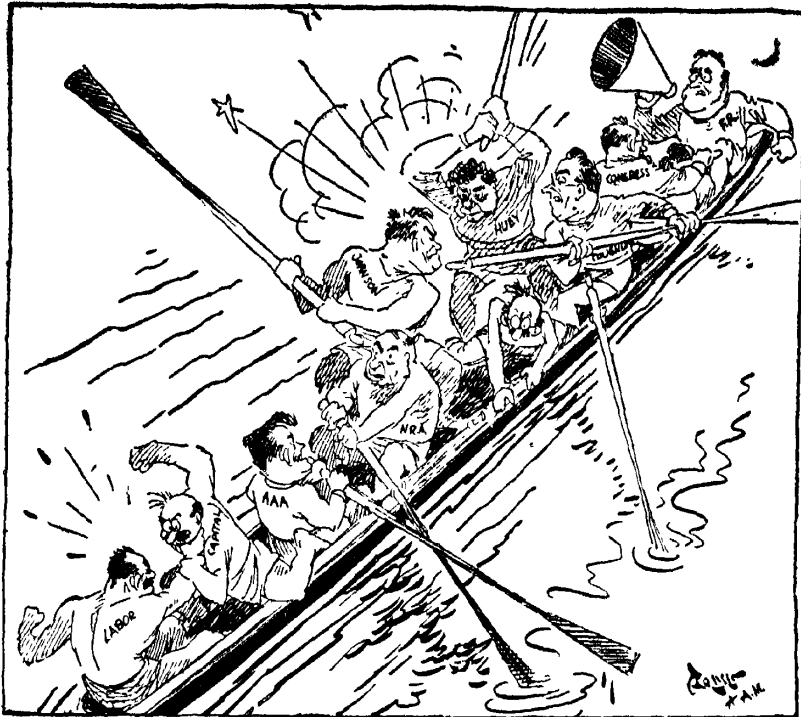
Spring style opening
—Morning Oregonian, Portland

Filed!
—Evening Courier, Champaign-Urbana

"Count me out after the last party"
—Philadelphia Inquirer

Hell's kitchen

Daily Express, London

Each spectator (to his neighbor)—"She's smiling at me"

—*Aksan*, Istanbul

What a crew!

—*St. Louis Globe-Democrat*

Wake up, King Tut

—*Richmond Times-Dispatch*

"Here's mud in his eye"

—*Commercial Appeal*, Memphis

"Carry your bag, mister?"
--*Chattanooga Times*

"Uncle's" unredeemed pledges
—*St Louis Post-Dispatch*

Buried
—*Rochester Times-Union*

No mere nightmare
—*Los Angeles Times*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

Mar. 13—Uruguay refuses to accept League arms ban on Paraguay (190).
Mar. 16—Germany formally creates army of 500,000 men (173).
Mar. 18—Great Britain sends note of protest to Germany (173).
Mar. 20—France asks League to take up German conscription (174).
Mar. 21—Germany rejects French and Italian arms protests (173).
Mar. 24—Poland rebukes Germany on arms stand.
Mar. 25—Anglo-German conversations begin at Berlin (175).
Mar. 28—Anthony Eden confers in Moscow with Litvinov (175).
Apr 1—Pope warns world against war.
Ethiopia demands arbitrators be named for dispute with Italy (205).
Powers caution Lithuania on status of Memel (177).
Apr. 2—Eden confers with Polish authorities in Warsaw (176).
Apr. 4—Eden visits Czechoslovak officials at Prague (176).

The United States

Mar. 12—President Roosevelt assails utility holding companies (184).
Mar. 14—Treasury calls first Liberty loan bonds for redemption.
Mar. 16—Federal Government takes over Ohio relief administration.
Mar. 19—Senator Nye presents war profits curb program (181).
Mar. 20—AAA lifts restrictions on Spring wheat planting.
Mar. 21—Donald Richberg named head of NIRB.
Mar. 22—House passes Patman Bonus Bill.
President Roosevelt asks for new Food and Drug Act.
Mar. 23—Ex-President Hoover attacks New Deal (185).
President Roosevelt approves Filipino Constitution.
Mar. 29—Congress approves army appropriation bill.
Mar. 30—Interstate Commerce Commission denies railway rate rise.
Truce averts coal strike.
Apr. 1—Supreme Court orders Scottsboro retrial (183).
Senate orders inquiry into Virgin Islands régime.
Apr. 3—Social security bill reported in House (183).
Apr. 8—President Roosevelt signs relief bill.

Canada

Mar. 11—Bank of Canada opens (188).
Mar. 27—John Buchan appointed Governor-General (187).

Latin America

Mar. 8—General strike in Cuba (192).
Mar. 14—Argentina ousts Fascist Governor of Buenos Aires Province.
Mar. 17—Bolivia assumes offensive in Chaco.
Mar. 18—Radicals win in Argentine Provincial election.
Mar. 28—Haitian trade treaty with United States signed (192).

The British Empire

Mar. 3—Dublin transport strike begins (195).
Mar. 4—British White Paper on defense published (193).
Mar. 14—Lloyd George's "New Deal" presented to *British Cabinet.*
Mar. 15—Cattle Industry (Emergency Provisions) Bill passed by House of Commons (194).
Mar. 18—White Paper on Indian States published (195).
Mar. 19—British troops fire into mob at Karachi, India.
Mar. 21—William Cosgrave re-elected president of United Ireland party (196).
Mar. 24—Glasgow demonstration against Unemployment Assistance Act (195).
Mar. 26—Republican leaders arrested by Irish Free State (196).

France and Belgium

Mar. 16—France votes to lengthen army service (197).
Mar. 18—Belgium places partial embargo on gold (199).
Mar. 19—Theunis Cabinet quits in Belgian monetary crisis (199)
Mar. 23—Paul van Zeeland named Premier in Belgium (200).
Mar. 28—Belgian exchanges closed in monetary crisis.
Mar. 29—Belgium devalues currency (200).

Germany

Mar. 10—Protestant pastors denounce Nazism (203).
Mar. 15—Finances of Protestant church put under State control
Mar. 17—Hitler reviews parade of new Reich Army
Secret police arrest 700 Protestant pastors (203).

Italy and Spain

Mar. 24—Italy calls class of 1911 to colors (205).
Mar. 29—Spanish Cabinet resigns (207).
Apr. 3—Lerroux forms new Cabinet in Spain (207).

Eastern Europe

Mar. 11—Greek revolt crushed (209).
Mar. 23—Polish Sejm adopts new Constitution (211).

Northern Europe

Mar. 6 Estonia bans all political parties and political activities (215).
Mar. 16—Nygaardsvold Labor Cabinet formed in Norway (214).
Mar. 26—Verdict reached in Memel treason trial (214).

The Soviet Union

Mar. 19—Soviet jails over 1,000 in move to check treason (217).

The Near and Middle East

Mar. 5—Jamil Beg al Midfai heads new Cabinet in Iraq (220).
Mar 15—Unsuccessful attempt to assassinate Ibn Saud, King of Saudi Arabia (218).
Mar. 16—Iraqi tribes revolt; Cabinet resigns (220).
Mar 17—General Yasin Pasha, Iraqi Nationalist leader, forms Cabinet; revolt quelled (220).

The Far East

Mar 6—Prince Ananda Mahidol named King of Siam (224).
Mar. 22—Soviet Union hands Chinese Eastern Railway to Manchukuo (221).

Germany Disturbs the Peace

By ALLAN NEVINS

EUROPE during the past month has undergone its greatest shocks since the French troops marched into the Ruhr in 1923. It has seen Germany, which technically and nominally has been a disarmed nation for seventeen years, stand forth in the panoply of admitted, heavy and fast-increasing armaments. It has witnessed a still more alarming spectacle. It has seen the German leaders declare, in effect, that they are through with some of the territorial as well as the disarmament sections of the Versailles treaty, and will never rest until they are revised. Nor is this all. Europe has caught a frightened vision of a possible future in which Germany will make herself the dominant power upon the Continent, as strong, ambitious and threatening to the peace of the world as she was before 1914.

It is not strange that these disclosures, following swiftly upon one another, have sent a tremor of fear throughout the civilized globe. They show how fearful a nemesis may still follow the mistakes made at Versailles; they suddenly reveal how futile have been the gropings of the nations toward peace and security in the past ten years.

Great credit may be given to some leaders for gallant effort. But as a whole the record is of ten years of idle talking, manoeuvring, delaying and compromising, under men hopelessly beset by national timidities and greeds; and the result is the Europe we see today. We knew that it was bad, but it is worse than we thought. We have the spectacle of great armies and air forces which every power is now feverishly augmenting—the 600,000 troops of Mussolini, the 600,000

EUROPE BEFORE AND AFTER THE WORLD WAR

of Hitler, the 960,000 of Stalin, the 500,000 of France, the new bombs, gases and machines for annihilating whole armies and cities. We see the panic of statesmen scurrying from capital to capital, holding conferences and conducting "exploratory discussions." We perceive the total loss of faith in the League as an immediate agency of peace.

Worst of all is the spirit that now pervades the populations of Europe.

Under leaders like Hitler and Mussolini nationalism has become blinder, more intense and more hysterical than ever; the sense of the solidarity of Europe and of reverence for its great cultural traditions has declined; the feeling of the inevitability of war has grown. The spasm of rage that ran through the Reich as a Lithuanian court-martial imposed heavy sentence on the Nazis of Memel, the demonstrations in Italy as the dictator recalled another class to the colors, the childish military displays in capital after capital are deeply disquieting. They indicate that only a spark is needed to set off a tremendous explosion.

Europe, still trembling with weakness from the last war and still near the bottom of the most pitiless economic depression in history, needs every ounce of her strength for industrial and cultural recovery. Instead, every great nation is wildly expending money and energy to increase its supply of lethal weapons. It is crippling its commerce, increasing its financial burdens, and injuring itself and its neighbors with insensate energy--all because the collective wisdom of the leaders of the world has proved unequal to the task before them.

To catalogue the events of the past month is easy, though as yet nothing whatever is known by the world at large of the inner history of these events. That inner history will be slowly disengaged during the next generation by the publication of State papers, secret memoranda, private letters, memoirs and autobiographies.

It is uncertain yet to what extent Germany's hand was forced by the Franco-British proposals of Feb. 3, which offered, in effect, to legalize a certain amount of German rearmament in exchange for German acquiescence in the present territorial arrangements of Europe. Perhaps the Reich was ready to take an open stand in any case. But from surface indications, it was the Anglo-French note that brought her to the point. That note was quite unacceptable. It offered the Reich, if it would agree to boundaries which the Nazi leaders regard as intolerable, a smaller army than could be taken by independent action. Refusal was certain. It might be a cloaked, evasive, time-wasting refusal; it might be clear-cut. It can at least be said for Hitler that his whole course, in the end, proved frank and decisive.

Great Britain and France doubtless knew from confidential sources as February closed that Germany was about to proclaim her rearmament. That fact would explain the British White Paper of March 4, with its announcement of decided increases in the British army, navy and air force and its sharp references to the new military threat of the Reich and to the training of German youth for war. It would explain the announcement by the French Ministry, as March began, that it would ask the Chamber to increase the term of military service from one year to eighteen months or two years for recruits called to the colors in 1935-39 inclusive—the "lean years" representing the low wartime birth rate. It would help explain the Russian announcement a few days later that in view of Soviet needs on two fronts the army would be increased.

The governments of these three nations could have had no hope of so intimidating Germany as to delay her announcement, but they could at least reassure their own peoples and make it clear to Hitler that he must not contemplate aggressive action. Unfortunately, these steps—particularly

Russia's—seemed to give Germany her excuse.

Saturday, March 16, was the date chosen by Chancellor Hitler for his proclamation that Germany would at once reintroduce compulsory military service and increase the peace basis of the army to thirty-six divisions—not less than 500,000 men, probably 600,000. In a long statement he placed on the former Allies the responsibility for the nullification of the disarmament clauses of the Versailles treaty. He spoke of the French two-year law, approved a few hours earlier by the Chamber. He spoke of the creation of a Soviet army of an admitted peace strength of 101 divisions, or 960,000 men. He quoted Stanley Baldwin on the necessity of self-defense. Henceforth, he announced, the "honor and security of the German Reich will again be trusted to the power of the German nation itself."

Half of Europe was instantly in a fever of excitement. Great Britain took the action of the Reichsfuehrer more calmly than other nations. It had long been aware of the secret rearming of Germany and felt that the situation had been little altered. But Russia and Poland were greatly disturbed. Demonstrations and riots broke out along the Polish border. The French and Italian press were all too characteristically violent in their denunciation. Premier Flandin almost immediately made a sharp statement, charging Germany with bad faith. And even in London the Cabinet met on Sunday in extraordinary session and sat for long hours.

It was an eventful week which followed. On Monday, March 18, the result of the British Cabinet session became known. Since Sir John Simon had already arranged to go to Berlin to discuss the long-standing Anglo-French proposals, a swift clarification of the situation was needed. The British dispatched to Berlin a note which protested vigorously against the German action, but which also inquired if there were any reason why Simon's visit should be postponed. The British objected to the unilateral abrogation of the treaty, and declared that Hitler's brusque announcement of a far larger army than had previously been contemplated was adverse to "the attainment of a comprehensive agreement"; but they wished to talk matters over.

This note raised more of a storm in Paris and Moscow than in Berlin. The German Government hastened to say that Simon should come. But in France there were loud cries that the British had broken "the peace front," and had acquiesced in Germany's scrapping of the treaty. With these accusations were coupled demands that the Allies should do nothing without previous consultation. The French had undoubtedly hoped that Simon would take a leaf from Hitler's book by developing a bad cold.

On March 21 both the French and Italian Governments presented their own notes of protest to the German Foreign Office. While the news dispatches had spoken of these notes in advance as strongly worded, they were actually hardly more energetic than the British communication. France deplored the German violation of the treaty; the government ascribed to Germany the sole responsibility for the "state of uneasiness" which possessed Europe; but it refrained from uttering any threats.

These notes were received by Germany in contemptuous silence. The German Foreign Office announced to the world that since they showed no comprehension of the actual situation in Europe, or of the true responsibility for the annulment of the disarma-

ment clauses of the treaty, no reply would be made to them. This course was certainly better than sending a contentious and provocative rejoinder. Meanwhile, the French Cabinet decided on March 20 to appeal to the League for a special meeting of the Council to consider Germany's action.

So far as diplomatic exchanges went, Europe was behaving moderately. But while Cabinet meetings were being held and notes framed, various governments were directing appeals of an inflammatory character to their peoples and taking alarming steps.

Statements were made in Berlin that unless the French Government demilitarized a zone along the border, Germany would take immediate steps to fortify her own Rhineland frontier. Her greatest industrial district is situated in the Rhineland, and she cannot leave it unprotected. On March 19 there was a great display of German air strength. By day seventy powerful machines circled over Berlin; that night the city was darkened during two hours for a mock air-raid, and next morning the Nazi press declared that fireproof roofs, armored cellars and other preparations made Berlin invincible to attack.

In France Premier Flandin appealed to the Senate on March 21 for national unity. "It is impossible," he said, "to separate moral preparation from military preparation. Let us take as our example in moral preparation what has been done across the Rhine." In Russia the Commissariat of Internal Affairs revealed on March 19 the fact that 1,074 residents of Leningrad had been exiled because their presence was dangerous in the crisis that menaced the nation.

From the southward, moreover, came warlike news. On March 23 Mussolini recalled the 1911 class of Italian conscripts to the colors. Since he had already decreed that the 1913 class must remain under arms after the expiration of its statutory service, he thus assured Italy of an army of almost 600,000 men in barracks, without counting those sent to the colonies. And on March 24 it was announced that Austria, which by the Treaty of St. Germain and subsequent arrangements is limited to an army of 28,000, was requesting the former Allies to permit her an active force of not less than 100,000 conscripts each year.

Europe had already been an armed camp. Now it seemed fast returning to the colossal armies of 1913-14. Obviously, concerted action by the former Allies was necessary if Europe were to be calmed and Germany impressed with the necessity of keeping the peace.

The French appeal to the League promised no effective result. Under Article XI of the covenant, France had a perfect right to accuse Germany of menacing the peace of the world. But Germany has withdrawn from the League and no longer recognizes its authority. A meeting of the Council to pronounce her conscription law a formal breach of the treaty would do no good and much harm. It would increase German dislike of the League, to which Great Britain hopes to persuade her to return. It would doubtless also reveal a lack of harmony in the Council. Several nations represented there and a large number represented in the Assembly wish to have nothing to do with the execution of the Versailles treaty. The concert of Europe must be attained in some other form.

In the effort to give direction to the concert or association of peaceful powers in Europe, one nation was clearly cast for the rôle of leader. As *The Manchester Guardian* said, "Great

Britain, by her might, her geographical position, her freedom from alliances and her international outlook, can alone give the required lead."

The French demand for consultative action was partly met when on March 23 Captain Anthony Eden, the British Lord Privy Seal, went to Paris. He conferred there with Pierre Laval, the French Foreign Minister, and Fulvio Suvich, the Italian Under-Secretary for Foreign Affairs. The most important result of their talk was an agreement that there should be a meeting of the Foreign Ministers of France, Italy and Great Britain at Stresa, Italy, on April 11. Meanwhile, Simon was to go to Berlin, as planned, to ascertain Germany's full and true aims; and Captain Eden was to go to Warsaw and Moscow, as had also been planned, to learn what steps might be taken to restrain Germany.

The result of Sir John Simon's visit to Berlin was a second and much greater shock than the mere announcement of German conscription. He and Captain Eden arrived on March 25 to conduct their "exploratory conversations." Their talks with Hitler and Foreign Minister von Neurath lasted two days. Then Simon went back to London enveloped in the deepest gloom, which at once spread all over Europe. Hitler had made it clear that Germany would not consent for a moment to join an "Eastern Locarno" or subscribe to the new pact of Rome guaranteeing the present boundaries in the Danube basin. So much might have been expected. But what was far more alarming were the positive demands which Hitler enunciated—demands that boded ill for the peace of Europe.

If inspired but quite unofficial statements may be trusted, these demands were of the most comprehensive character. They included the reopening of the question of Austro-German economic union, with an Austrian plebiscite on the issue; the cession to Germany of Czechoslovak territory alleged to contain 3,500,000 German residents; an air force equal to that of Soviet Russia, and a navy of 400,000 tons.

Such was the summary given by "authoritative sources" in London on March 27, the day of Sir John Simon's return. It is not certain that this summary was accurate. Berlin dispatches spoke of the moderation of Hitler's views. A spokesman for the German Foreign Office declared that Hitler had taken pains to impress upon Simon the fact that Germany did not aspire to European domination and would commit no aggression beyond her own frontiers.

The most important secret of the present day in Europe is exactly what Hitler did say to Simon. There seems good reason to believe that he hinted, if he did not frankly express, the demands attributed to him by London dispatches. There was no concealment of the deep pessimism in the British Foreign Office upon the return of Simon.

Accepting at face value the British reports of Hitler's ambitious designs, Europe was staggered. After all, the rearming of Germany had been no news. As the recent article by General Pétain in the *Revue des Deux Mondes* shows, Europe was fast accepting it as inevitable. But there had been general hopes that Germany, once readmitted to equality, would rest content for at least the moment and support the "collective system."

The moment Sir John Simon learned Hitler's views, efforts were redoubled to draw about the Reich an overwhelming ring of powers bent upon maintaining peace. On March 29 Captain Eden was in Moscow conferring

with Stalin. On April 1 he arrived in Warsaw, beflagged in his honor, to confer with Marshal Pilsudski and Foreign Minister Beck. On April 4 he was in Prague.

Once the Nazi government had frankly disclosed at least part of its aims, the position of Poland became of paramount importance. It was well known that Soviet Russia and Czechoslovakia could be counted upon to support a firm stand against any offensive move by Germany. But the attitude of Poland toward the Reich has been one of the enigmas of recent European affairs; and Captain Eden's exploratory talks in Warsaw were therefore watched with intense interest. During the past year Poland has shown both a growing chilliness toward France and a growing cordiality toward Germany.

Beyond doubt this position largely reflects the views of Pilsudski, an erratic and prejudiced leader whose hatred of Russia is intense. It springs also from the very real difficulties of Poland's position. She lies between two great powers which have partitioned her in the past; her territories contain alien groups whom both would like to reclaim as citizens. She evidently regards Germany as both a more trustworthy friend and a more formidable enemy than Russia. For this reason she is not going to offend Germany by subscribing to a "collective system" in Europe until she is certain that this system will fully protect her.

One of the great questions in Europe today is whether Great Britain, France and Italy can persuade Poland to join the powers encircling and restraining Germany, to join them not as an ally, but as one of a group bound by a firm understanding. That question was clearly left undecided by Captain Eden's visit.

After Eden's two days of conferences, it was reported in Polish circles that Marshal Pilsudski and Foreign Minister Beck remained unchanged in their hostility to the "Eastern Locarno." They object to it for a variety of reasons. It would require Poland, in certain circumstances, to defend Russian territory; her people fear that it might make Poland a cockpit for contending armies in Eastern Europe; her adherence to it would arouse German resentment.

Since the "Eastern Locarno" is of vital importance from the French and Russian point of view as a means of hemming Germany in, Paris and Moscow found the results of Eden's visit to Poland disappointing in the extreme. But Great Britain regards it, as possible that Poland may give moral support to the "collective system" in Europe without accepting this particular compact. In this the British may be right.

The correspondent of *The New York Times* reported on April 2, after the first day's conferences, that "Poland is groping for a way that will lead her into the camp of the Anglo-Franco-Italo-Soviet combination without forcing her to deviate far from her fixed policy of a free hand or to make Germany her open opponent." Before Eden left Warsaw it was arranged that Foreign Minister Laval should visit that capital before the Stresa meeting.

Captain Eden's visits to Moscow and Prague were somewhat more satisfactory than his trip to Warsaw. He was received with the greatest cordiality in both capitals. In Moscow it was stated that Stalin and Eden, after conferring, had found that their governments held identical views upon the European crisis. Both wished to strengthen the forces for peace by further security compacts within the

framework of the League. Tory groups in Great Britain have long been suspicious of Russia. But there was promise in the conversations of a rapprochement if not an entente in the interests of world peace.

Czechoslovakia was of course eager to give evidence of its loyalty to Anglo-French aims. In Prague, as in Moscow, Captain Eden was given glimpses of a military machine that has recently been much refurbished and strengthened. Yet the visit to Prague recalled one disquieting fact. Relations between Poland and Czechoslovakia are strained because of their dispute over Teschen, and because of the recent propagandist campaign in Poland for acquisition of part of Slovakia. In passing between Warsaw and Prague Eden crossed one of the uneasy borders of Europe.

Inspired by Dr. Goebbels and his Ministry of Propaganda, the Germans in recent weeks have turned their attention to one after another of the Reich's "bleeding boundaries." There is Memel, where the Germans have unquestionably suffered wrongs. On April 1 Sir John Simon told the House of Commons that Great Britain, France and Italy had warned Lithuania that her measures in the Memel Territory were incompatible with the principles of autonomy granted it by League statute. There is Eupen-Malmédy. There are Danzig and Upper Silesia and, above all, Austria.

All eyes in Europe, as the first week in April ended, were turned to Stresa. The meeting of representatives of the three powers in the little Italian city was expected to give some indication of whether the next approach to Germany would be by the road of mediation and conciliation or that of threat and defiance. And meanwhile Germany, steadily rearming, waited grimly.

But it was important for European leaders to look much further ahead than Stresa. The unhappy situation of the Continent, a situation offering the most tragic possibilities, required the very boldest and broadest effort of statesmanship. For the immediate guaranty of peace, it was quite proper for Captain Eden to make his tour of European capitals and for the Western Powers to hold their tripartite conference. Upon the unity of France, Italy, Russia and Great Britain in this particular crisis everything depended. But for the guaranty of peace in the long years to come very different measures would be required.

It was now abundantly evident that the predicament of Europe was not to be explained with references to German folly and arrogance alone. In the last analysis it was the collective leadership of the world rather than any one nation that stood indicted. The rôle of Hitler in recent months was blameworthy indeed. Yet it was not Hitler alone who was to be condemned, but a whole list of leaders, including some American names. And nothing was to be gained today in any case by recrimination and condemnation. The urgent question was whether the wisdom of the world would yet prove capable of coping with the situation before it ended in catastrophe.

Hitler and Nazi Germany had now made it plain just where they stood. As the London *Spectator* said, it was folly to suppose that a nation of 65,000,000 could be kept indefinitely in a position of inequality; and by seizing equality Germany had done the world one service—she had cleared the air. The Reichsfuehrer had brought other nations to face the situation without disguise.

Twice the powers had an opportunity to grant Germany equality by an

agreement. One opportunity was missed in December, 1932, the other in April, 1934. The Anglo-French note of Feb. 3 showed that Sir John Simon and Pierre Laval completely misread the situation. They were still living in a fool's paradise, still believing that Germany might continue to take the position of a suppliant in the matter of armaments. Now they were aware that Germany had achieved her equality in arms, and aware also that she intended to use it, when opportunity offered, to correct the injustices from which she felt she was still suffering.

It was clear where Germany stood; it remained to be made clear where the other powers would stand. They had several possible roads. They could continue, as they had for years, to drift, to delay and to take decisions just too late to be effective. They could take measures, as France and Russia obviously desired, to surround Germany with a ring of steel. It seemed likely that Poland, coming in on the side of the stronger forces, would give at least partial support to such a combination. It was already plain that Yugoslavia, under her new ruler, the Prince Regent Paul, was willing to forget her old quarrel with Italy and stand with the rest of the Little Entente on the side of the powers against Germany.

The objections to such a ring of steel were that it was extremely expensive in manpower and money, that it was utterly incompatible with the aims announced by the League and by enlightened statesmen everywhere since the war, and that in the end it was sure to break down. The alignment of nations was constantly shifting. Germany would only have to wait, and internal dissensions would destroy any combination .

The third course was to admit that the German people might have some just grievances, ask the Reich to return to the League and the paths of peace, and assure her that, once she did so, her demands would have full and just consideration. The spokesman for the German Foreign Office said on March 27 that Hitler had told Sir John Simon that Germany would go back to Geneva if she received complete and unequivocal equality with other powers, and if the treatment accorded her in other respects encouraged him to take the step.

Each of these possible paths had its advantages and disadvantages. The third would require some immediate sacrifices by the former Allies. But they might well consider whether it would not be the cheapest in the end.

They might well ask themselves if the Anschluss, or economic union of Austria and Germany, were not ultimately inevitable. Many of the best judges believed it was. They might well inquire whether the return of part of the former German colonies would not assist in the economic restoration of the Reich and hence of the world, and at the same time make for peace.

The former Allies had blundered in the past by offering Germany too little, and offering even that too late, until finally Nazi Germany had become a menace to all mankind. They might at least consider the question whether generosity and promptness were not worth trying once, in a final effort to purchase Germany's agreement to labor for and not against peace. As a matter of fact, they could not escape this question. From the moment of Hitler's proclamation of March 16 it was unescapably before them.

Such, then, was the situation in the days immediately preceding the Stresa Conference.

Preparedness: An American Issue

By Charles A. Beard

PREPARATIONS for war and for the suppression of adverse civilian opinion loomed high among American events during March. But they were countered by a rising tide of popular resentment which must have surprised the advocates of force. Although the spectre of armed violence, foreign and domestic, was already engaging the attention of Congress and the State Legislatures before Hitler formally announced Germany's intention to disregard the limitations of the Versailles treaty, afterwards it received increasing consideration.

A 40 per cent addition to the strength of the regular army was voted by Congress, and bills appropriating more than $800,000,000 for military and naval purposes were advanced toward final action. Meanwhile efforts to divert more hundreds of millions from the work-relief fund to the army and navy were continued despite a Senate amendment against it and vigorous objections from other quarters. By way of supplement to the announcement of coming naval manoeuvres in the Far Pacific were actions of the Pan American Airways Company in developing commercial aviation across American islands in the mid-Pacific.

In support of the administration's army and navy program, the Secretary of War, George H. Dern, made a militant address at a banquet given in Philadelphia by the Army Ordnance Association and the Chamber of Commerce on March 26. The Secretary declared that the United States Army was "microscopic," and called for an increase in its size and for a greater navy. He said that "the evils of unregulated munitions traffic are apparent," but attacked as "obviously fallacious" the theory that wars would be stopped if the munitions industry were nationalized and the export of arms forbidden. On the day of Secretary Dern's speech in Philadelphia, Senator Pittman, chairman of the Senate Foreign Relations Committee, defended as "necessary" the coming manoeuvres of the American Navy and remarked that neither Mexico nor Canada would be "excited by the peaceful operations of our fleet in the Pacific."

In keeping with the military spirit, a whole flock of alien and sedition bills was introduced in Congress—bills which, by their harsh and sweeping terms, made the old laws of 1798 look pale and harmless. One would permit the Department of Labor to deport an alien not in permanent residence who "engages in any political activities." Another would authorize the department to deport any alien "whose presence in the United States is inimical to the public interest," or who belongs to any organization which teaches or advises "a change in the form of government of the United States, or engages in any way in domestic political agitation." A third, in a form of a joint resolution, would memorialize the States of the Union to require every teacher, officer and employe of every public school or other public educational institution to

take an oath supporting the Constitution of the United States. A fourth bill, introduced by Representative McCormack and sponsored by the War and Navy Departments, would provide fine or imprisonment or both for counseling, advising or urging any man in the military or naval forces, including reserves, to disobey any military or naval regulations. It would also authorize the search of homes and other places and the seizure of books, papers and pamphlets counseling, advising, or urging such disobedience.

The example set by certain members of Congress in their feverish efforts to suppress unwelcome opinions was followed by the Labor Department in ordering the deportation of John Strachey, the British author, who had been lecturing in the United States on dialectic materialism and other economic themes of an unconventional nature. In taking this step the department alleged that Mr. Strachey had been guilty of misrepresenting his true opinion at the time he was admitted to the country, and had preached revolutionary doctrines after his arrival.

As soon as the news of Mr. Strachey's arrest broke in the press, powerful friends and competent legal counsel sprang to his assistance. Bail was given immediately and the case was carried into the courts. As usually happens in such affairs, immense publicity was given to Mr. Strachey, his views and his books. Huge crowds attended his subsequent meetings and millions of people who had never heard of him became interested in his personality and doctrines. Meanwhile the Labor Department pressed its action with a kind of disingenuous frenzy, which was applauded by the Hearst press, ladies of the D. A. R. and other professional defenders of "American institutions." When the time which Mr. Strachey had fixed for his departure arrived it looked as if he might have to stay several weeks longer to fight the case in the courts, but the Labor Department lamely dropped its proceedings and allowed him to go in peace at the end of March.

As if fearful that Congress might leave open some loophole for the discussion of public questions in the revolutionary tradition bequeathed by the Fathers of the Republic, State Legislatures sought to "do their part." In nearly every State, owing to the agitations of the American Legion, the Elks and other associations more or less affiliated with the Hearst "anti-Red drive," bills were introduced for the purpose of excluding from the ballot political parties which advocate the overthrow of government "by force and violence," or preach "sedition" or "treason." By the middle of March, four States—Arkansas, Delaware, Indiana and Tennessee—had enacted such a measure into law, and the campaign of suppression was hotly waged in other Commonwealths.

Although for a time the passion for war and suppression seemed about to sweep everything before it, a powerful counter-movement soon set in. Able lawyers, war veterans and other citizens appeared before Congressional committees to present objections and to point out the perils to traditional liberties inherent in the alien and sedition bills. In several of the largest cities of the country monster mass meetings of protest were held, some of which were addressed by members of Congress. In Massachusetts, college presidents, headed by President Conant of Harvard and President Compton of the Massachusetts Institute of Technology, led the opposition to a legislative measure imposing an oath of loyalty

upon teachers in colleges, public and private. At the national capital the forces enlisted against war-mongering and war-profiteering were drawn up around the Nye munitions committee.

It is true that President Roosevelt had sought to modify the course of the Nye inquiry by turning the task of "taking profits out of war" over to his own committee headed by Bernard M. Baruch and Hugh Johnson. It is true also that administration members in Congress, especially in the House, were pressing the McSwain bill protecting war profits against drastic attacks. But the Nye committee refused to be checked.

On the contrary, the committee continued its hearings, in which it developed more startling testimony respecting the use of political influence in the distribution of naval expenditures, especially Democratic influence. It likewise brought out the fact that the president of a construction concern in Maine had secured the assistance of a Maine newspaper publisher in spreading a "Japanese war scare" with a view to stimulating patriotic interest in more naval outlays. In the course of its proceedings the committee held a dramatic session, at which John T. Flynn, chairman of its research division, presented concrete proposals for destroying war profits, which in comparison made the McSwain bill look like a munitions-industry proposition.

Mr. Flynn's program had teeth in it and betrayed a determined resolve to take profits out of war and make the generation that fights a war pay the entire bill. It included the following concrete elements for application in wartime: (1) A 50 per cent tax on all corporate profits up to 6 per cent and a 100 per cent tax on earnings above that rate; (2) a tax taking all private incomes above $10,000 a year; (3) an income tax on every person earning more than $1,000 a year; (4) the collection of income taxes quarterly; (5) publicity for all salaries immediately on the declaration of war; (6) provisions for drafting general officers of corporations into military service when necessary to force action on their part; (7) the fixation of prices, the closing of commodity exchanges and the prohibition of speculation in commodities; (8) the commandeering of essential industries and services; (9) the subjection of industries to public control through a system of licenses.

Shortly after the publication of the Flynn program, the Nye committee heard Bernard M. Baruch present his views on war and war profits. If it expected belligerent opposition it must have been amazed. Mr. Baruch opened by giving a detailed statement of his personal finances during the World War for the purpose of dispelling the notion, prevalent in certain quarters, that he had himself profited from the war. He then approved in a general way the scheme outlined by Mr. Flynn, while reserving judgment on particular items. He also approved the committee's proposed measures for restricting the "rights of Americans as neutrals" in preparation for future wars in Europe and the Pacific. Such restrictions, Mr. Baruch said, would be useful in keeping the United States out of foreign conflicts, by withdrawing official protection from activities likely to imperil the government's neutrality.

Incidentally, Mr. Baruch confirmed earlier testimony before the committee to the effect that shipbuilding interests had engaged in stock speculation on the assurance that the Roosevelt administration would be "friendly" to the industry. Stock had been offered to him, but he had de-

clined to accept it. Nevertheless it was clear, as Mr. Baruch's testimony drew to a close, that he still adhered to his well-known price-fixing program for limiting war profits—a program already approved by military and naval authorities.

Unconvinced by Mr. Baruch's plea for a milder policy, the Nye committee announced on April 2 that it would introduce in the Senate the following week a drastic measure for eliminating war profits, modeled on the lines laid down by Mr. Flynn. This action was precipitated apparently by the declaration of administration leaders that they would press for immediate action on the McSwain bill then pending in the House of Representatives—a bill more in keeping with Mr. Baruch's moderate project and more acceptable to military and naval authorities. Thus the long-smoldering antagonism between the administration and Senator Nye's committee came out into the open and the issue was submitted to Congressional scrutiny.

During the uproar over plans for limiting war profits it was reported in the Washington press that Senator Nye and members of his committee had discussed with President Roosevelt plans for widening their legislative program beyond control over domestic munitions manufacture. With the President's approval they took under consideration legislative projects advanced by Charles Warren, Assistant Attorney General under President Wilson, covering such points as an embargo on loans to belligerents, withdrawal of government support for American merchants and shipping concerns deliberately entering war zones, and acceptance of the new definition of contraband of war, which includes virtually all commodities. Despite reports that the State Department was considering similar measures, an official denial was issued on March 26. For the moment this left leadership in a determined effort to keep the United States out of entanglements in the next European war almost entirely to Senator Nye and his committee, apparently with the sanction of President Roosevelt.

As the drastic proposals of the Nye committee gathered support in Congress and throughout the country, signs of interest and activity appeared in the State Department. The evening press on March 29 reported that the department had at last "formulated a comprehensive program to safeguard the neutrality of the United States in the event of war abroad." Submission of the program to Congress, it was stated, had been delayed "principally by navy opposition to an embargo against the shipment of munitions to any belligerent," on the traditional allegation "that such action would prevent the fullest expansion of our munitions industry in the interest of national defense."

Since Senator Nye had already characterized the munitions business as a "racket," it was not likely that opposition of the Navy Department to an embargo on munitions export to belligerents would carry much weight with him. At bottom the issue was one of American policy—domestic and foreign—and if the Nye committee persists in its course President Roosevelt will have to decide in the near future whether the Navy Department or the civil branches of the government are to determine the policy of the United States.

SUPREME COURT DECISIONS

While the opponents of sedition bills and war as an instrument of national policy were marshaling their forces, the Supreme Court came to the

support of civil liberties on April 1 by reversing the Alabama courts in the celebrated Scottsboro case of Clarence Norris. It held that Negroes had been unjustifiably excluded from jury service in this case and that such exclusion denied to the accused the equal protection of the laws, contrary to the Fourteenth Amendment. Thus the court added another decision to the growing number of precedents which bring personal, as well as property, rights within the scope of the Fourteenth Amendment. Although the court, on the same day, upheld the action of Texas Democrats in excluding Negroes from participation in party primaries, it took the ground that only party responsibility, not State intervention, was involved in the proceedings.

In the Scottsboro case, Chief Justice Hughes, speaking for the court, declared flatly: "When a Federal right has been specially set up and claimed in a State court, it is our province to inquire not merely whether it was denied in express terms but also whether it was denied in substance and fact." In the light of such tendencies it may be that the Supreme Court will provide the last shelter for civil liberty in the United States.

CONGRESS AT WORK

Despite the prominence given to war measures and sedition bills, Congress and Congressional committees ground away on economic and social proposals without producing any important results in March and early April. The President's security program for old-age pensions and employment insurance hung fire, and its fate was complicated by efforts to advance the Lundeen bill. The latter, providing insurance for unemployment, old-age and for other purposes, was reported to the House of Representatives in March, to the consternation of conservatives. This bill called for compensation "for all workers and farmers above 18 years of age, unemployed through no fault of their own" at rates equal to average local wages, but "in no case less than $10 per week plus $3 for each dependent." It provided that funds for this purpose be raised by heavy inheritance and gift taxes and taxes on individual and corporate incomes of $5,000 a year and more.

Although passage of this radical measure seemed to be entirely out of the question, the appearance of the bill on the floor accelerated discussion of various drastic schemes for abolishing poverty in the United States. It added to the furor created by Senator Huey Long's "share-our-wealth" plan, Father Coughlin's "social justice" project, and other vigorous attacks on the prevailing distribution of wealth in the United States. It doubtless facilitated the drastic revision of the President's program for social and economic security—a revision which took the form of a bill reported to the House of Representatives on April 3 by the Ways and Means Committee.

The Senate on March 23 finally passed the bill appropriating $4,880,000,000 for work relief, but not in the original form of a blanket authorization left to the President's discretion. After long and acrimonious debate the Senate added limiting provisions. It broke the grand total into several general items, allotting specific sums to such projects as highways, grade-crossing elimination, rural relief and rehabilitation, rural electrification, housing, projects for white-collar workers, enlargement of the Civilian Conservation Corps, State and local works, sanitation, reforestation, pre-

vention of soil erosion and aid to schools.

While making a broad itemization, the Senate empowered the President to shift funds within the classification to the extent of 20 per cent of the total. It gave him discretionary power to finance the purchase of land and equipment for farmers, tenants, sharecroppers and farm hands. It authorized him to purchase or acquire by exercise of eminent domain any real property necessary to the execution of the program. At the same time particular limitations were added by the Senate bill. Wages on Federal building projects must conform to the "prevailing wages" rule and wages fixed by the President on other projects must not "degrade private wages." Money from this appropriation cannot be used for military and naval purposes. To avoid a filibuster, the Senate accepted a rider sponsored by Senator Thomas of Oklahoma, providing for additional remonetization of silver.

Owing to the drastic changes made by the Senate in the House work-relief bill, the measure was sent to a conference committee for the adjustment of differences. Day after day the committee wrestled over the issues in controversy. Members from the House, under the administration whip, sought to give the President the utmost discretion in the expenditure of the fund, but the members of the committee from the Senate, even Democratic members, insisted on limitations and specifications. Not until April 4 was the deadlock broken and a compromise measure reported to the chambers for final action.

In the field of electric power development, where President Roosevelt's leadership has been especially determined, events gave little aid and comfort to the sponsors of traditional methods in the industry. The Power Authority of New York in a report on the financing of electric utilities in New York City, released on March 5, assailed local utilities and charged them with stock watering, excessive inflation of capital accounts and the levy of rates excessively high. About a week later the voters of Chattanooga approved by an overwhelming majority a large bond issue to finance a municipal system for the distribution of TVA current.

While the battle was being waged in Chattanooga, President Roosevelt transmitted to Congress a report on holding companies prepared by the National Power Policy Commission and added a blistering message on their methods. He accused them of carrying on a lobby to defeat legislation pending in Congress and called for the destruction of all such superconcerns, except those "necessary to the continued functioning of a geographically integrated operating utility system." Representatives of holding companies protested loudly against the denunciatory message, and interest in proposed legislation was redoubled.

The storm raised by President Roosevelt's message on holding companies had scarcely subsided when the Senate Committee on Interstate Commerce, under the chairmanship of Senator Burton K. Wheeler, began hearings on a resolution authorizing a sweeping investigation of the railways. Evidence was presented indicating banker control over railroad reorganizations now in progress, the continuance of looting practices, speculation on the part of railway concerns, the misuse of corporate funds, deception employed in dealings with the RFC, and the cutting of wages and the neglect of safety in order to produce dividends advantageous to speculative pools in New York City.

The financial methods of the Van Sweringens in connection with the Missouri Pacific and the efforts of those interests to get more millions from the RFC were criticized with especial severity. Jesse Jones, chairman of the RFC, admitted, in the course of his testimony, that the railways were in control of bankers rather than of stockholders and directors, and that in some cases such control was not in the public interest. On behalf of the railways and their financial affiliates strong protests, mainly subterranean, were made against the proposed inquiry, particularly on the ground that it would retard "recovery." Nevertheless, the Senate committee, by a vote of 12 to 5, decided to report favorably the resolution calling for the investigation.

Evidence suggesting that President Roosevelt's attitude to Congress during the opening months of the year had been partly a matter of strategy, rather than of irresolution, was revealed on March 29, when Senator Harrison, chairman of the Finance Committee of the Senate, suddenly presented a complete NRA measure as a substitute for the old NIRA expiring on June 16. According to press reports the President had left the bill with the Senator, as a precautionary step, just before leaving Washington for a fishing trip. The extraordinary manoeuvre was attributed to the growing resentment of labor against the operation of the present law and to the fear of great industrialists that indiscriminate trust prosecutions might upset the "order" recently introduced in business.

That program embraced a number of significant changes in the old act. Codes were to be limited to industries actually engaged in, or substantially affecting, interstate commerce. Thus some of the hazards of adverse judicial decisons were to be eliminated. The hotly contested Section 7a, providing for collective bargaining, was to be retained and employes were to be empowered to bring civil actions against employers to recover losses incurred by violations. Smaller industries were to be dropped entirely from code control. To afford partial satisfaction to ancient foes of "trusts and monopolies," provisions against monopolistic practices were incorporated in the draft, but on the other hand the President was to be given full authority to use price-fixing and production control if necessary to prevent "unfair competition." In short, pants pressers and other "little men" were to enjoy the "freedom" espoused by the Liberty League, while the basic industries of the country were to be integrated under government supervision.

The New Deal was trimming its sails without altering its course. Doubtless its way was made easier by the confession of the NRA that its figures on interest, dividends and wages made public in February (see April CURRENT HISTORY, page 66) did not rest on comprehensive evidence and should not be circulated as authoritative, save in a decidedly limited sense. The confession and the controversy that accompanied it indicated, however, an astounding lack of economic knowledge, official and private, concerning the prospects of getting 22,000,000 people off the relief rolls by NRA, old or new.

POLITICAL MANOEUVRES

As administrative and Congressional machinery creaked and groaned, the monotony was occasionally broken by political flurries. In a letter to California Republicans former President Hoover came out strong against "regimentation and socialism" and in favor of "human liberty," "common

sense" and "the family and the home, whether farmer, worker or business man," "the moral and spiritual as well as the economic unit" from which all good things must flow. If intended as a rallying cry for the campaign of 1936, Mr. Hoover's blast from Palo Alto brought no unification of Republican ranks. On the contrary, conferences of Midwest Republicans called for "new leadership" and the acceptance of a program at variance with "rugged individualism."

Meanwhile Senator Huey Long, Father Coughlin and General Hugh Johnson hawked and tore at one another in speeches over the radio, entertaining, convincing or amusing millions of listeners. In language more picturesque than edifying General Johnson, speaking presumably for the administration, bitterly assailed Senator Long and Father Coughlin—their ideas, manners and morals. Rather temperately they replied to the General's strictures, taking advantage of the advertisement to spread their gospels. Democratic rejoicings over the re-election of Mayor Kelly in Chicago on April 3 were offset by victories of Upton Sinclair's Epic party in Los Angeles and by Progressive gains in two special State Senatorial elections in Wisconsin.

Steps Toward Canadian Reform

By J. BARTLET BREBNER

THE illness of Prime Minister Bennett has upset the tempo and tone of the Canadian parliamentary session. Stricken with influenza in the last week of February, he later showed the strain of five years' overwork in three heart attacks which demanded absolute rest. Sir George Perley took his place temporarily, and Mackenzie King, leader of the Opposition, was careful to act as if he were paired with the Prime Minister.

Gossip was busy about the succession if Mr. Bennett should have to retire. The choice seemed to lie between Senator Arthur Meighen and H. H. Stevens, the evangelist for social justice, who was recently ousted from the Ministry of Trade and Commerce. Mr. Stevens could well sponsor the Bennett reform program—indeed, he would be likely to broaden it—for it was his agitation during 1934 that brought about the inquiry into Canadian business practices. He seemed to be making a bid for leadership in some of his public speeches and also on March 15 when he spoke in the debate on ratification of the Minimum Wage Convention of the International Labor Office. He praised his own government mildly, concurred in Mr. Bennett's argument as to the constitutionality of the legislation, and bluntly attacked C. H. Cahan, his principal opponent in the Cabinet.

The only notable legislation adopted in March set up a National Economic Council. This, like the rest of the Bennett program, was much milder than had been expected. It did not establish a Dominion Trade and Industry Board but provided merely for an unpaid advisory body of fifteen, with the Prime Minister as chairman and the Dominion statistician as secretary. Some of the members were to be officers of social and

economic organizations. Provision for retaining experts made the scheme appear to be related to recent moves to relieve and improve the civil service.

The tentative atmosphere on Parliament Hill robbed even the annual budget of some of the usual excitement. The tariff changes were chiefly some slight gestures to soften the disappointment of British manufacturers over the inaccessibility of the Canadian market. The gold tax was abandoned, but with an altered income-tax formula for gold mines. Excise and customs duties on spirits were cut $3 a gallon to reduce bootlegging and smuggling. The corporation income tax was raised from 12½ to 13½ per cent and the higher individual incomes and investment income were subjected to surtax and gift tax. Although a surplus of $2,700,000 on ordinary account was reported for 1934-35, the general deficit was $69,000,000. An ordinary surplus of $21,500,000 was planned for 1935-36, but there was no forecast of the effects of the extraordinary expenditures.

Ever since the federation of Canada in 1867 regional economic inequalities have been balanced by Dominion subsidies to the Provinces. The Dominion has also paid the Prairie Provinces for administering their natural resources. Two recent Royal Commissions have earned Provincial gratitude by further recommendations for disbursements. One presided over by Sir Thomas White recommended that the annual subsidy to Nova Scotia be increased to $1,953,000, that of New Brunswick to $1,550,000 and that of Prince Edward Island to $647,000. The Dysart Commissions recommended the payment of $6,500,000 each to Saskatchewan and Alberta for use of their natural resources from 1905 to 1930. Small wonder that British Columbia gave notice that she too would demand a new deal.

Under the Canadian Constitution, unemployed relief has been held to be the concern of the Provinces. These in turn have laid the burden on the municipalities, but the Dominion has aided by loans. The municipalities, troubled by a greater debt burden than they could bear, sent seventy-nine Mayors to a conference in Montreal on March 25. The Mayors decided that relief must become a Dominion responsibility, but when they interviewed Sir George Perley at Ottawa, he could only repeat the constitutional argument, though it was obvious that the matter would not rest there. In February, 1,054,821 were on relief at an annual cost of about $100,000,000.

Party lines did not alter perceptibly. The Conservatives were loyal to Mr. Bennett's modest program of social reform and were said to be toying with the idea of a Federal housing scheme. The Liberals refused to be manoeuvred into opposing the Conservative legislation, but continued to declare that most of it was unconstitutional. Their hopes that the Stevens Commission would recommend something like a Canadian NRA and so provide them with a target in the coming election were disappointed. J. S. Woodsworth and his C. C. F. followers did their best to indicate the inadequacy of the social legislation and the new taxation to end the suffering arising from the economic dislocation.

It was announced in Ottawa and London on March 27 that in September a commoner would for the first time become Governor General when John Buchan succeeds the Earl of Bessborough. Mr. Buchan is a Scotsman, an author and a Conservative member of the British Parliament. His selection revived some agitation

for the appointment of a Canadian to the office.

TREMORS IN PUBLIC CREDIT

Mayor G. G. McGeer of Vancouver, B. C., has for some months been a sort of radical spokesman for distressed Canadian municipalities. In response to orthodox suggestions for increased water rates, more rigorous tax collection and tax sales, he asserted that this was no way of meeting the situation caused by relief demands. He insisted that he would cut the interest on the city's bonds to 3 per cent, adding that "this city had better go into bankruptcy and settle for what it can." His action and the difficulties of other municipalities have affected Canadian bonds. Alberta has contributed to the uncertainty through the discussion of several unorthodox fiscal proposals in the four platforms of the current Provincial election campaign.

A direct financial disturbance has been caused by the efforts of Ontario's Liberal government to rid the Ontario Hydro-Electric Power Commission of certain obligations incurred under previous Conservative administrations. Legislation was introduced to terminate power contracts made by the commission with four private Quebec companies. A. W. Roebuck, the Attorney General, declared that under the Canadian Constitution the contracts were "illegal, unenforceable and void *ab initio*," because Quebec could not create corporations to construct works connecting one Province with another. The Conservatives had gone back on the earlier policy of generating power in public plants, and the commission was not only engaged to buy power which it could not use, but was paying more for power than it cost to make it in Toronto by steam. There were indications that revised contracts would contain a compromise.

CANADIAN BUSINESS

During the second half of March the tension attending the Canadian Government's huge venture in the wheat market was slightly but progressively relieved. Prices rose in Liverpool, Argentina and Australia much faster than in Winnipeg, and Canadian wheat began to be exported again at an accelerating, if still disappointing, rate.

The shortage in the United States has recently driven livestock prices so high that a profit can be made in prime Canadian cattle even with high freight and handling charges and a duty of 2½ to 3 cents a pound. Thousands of head have gone to American markets since the beginning of the year, affording compensation for the increasing difficulty of breaking through British regulations on cattle importation.

Canada's foreign trade revived in February after the January decline. Exports were $46,719,000 ($37,842,-000 in 1934) and imports $37,044,000 ($33,592,000 in 1934). As compared with 1934, exports to Great Britain increased 46 per cent and imports declined 10 per cent, whereas exports to the United States increased 8 per cent and imports 20 per cent.

The Bank of Canada began business on March 11, taking over the Dominion's and the private banks' gold reserves and assuming responsibility for $220,000,000 of Dominion notes. The bank will lend chiefly on Dominion and Provincial obligations as collateral. It set the bank rate at 2½ per cent, and the reserve amounted to 42 per cent. It will handle the Dominion's gold production, but will not attempt otherwise to control exchange in London and New York.

Chile and Argentina Fall Out

By HUBERT HERRING

THE peacemakers disagree. Chile and Argentina contend for the honor and the credit of restoring peace in the Chaco, and each is jealous lest the other run away with the prize. Argentina, having played her rôle with somewhat more sweep and dramatic effectiveness, stirred Chile to a burst of resentment in March.

President Alessandri of Chile blamed the failure to win peace in the Chaco on the lack of cooperation between the Foreign Offices of Chile and Argentina. On March 4, the attack was made more specific by unofficial, but presumably inspired, outbreaks of criticism in Santiago. Augustín Edwards, former Chilean Ambassador to London, accused Argentina of seeking to secure the position of leadership in South American affairs by playing upon international discords. Señor Edwards, whose words are credited with carrying a quasi-official character, directed his criticism chiefly against Carlos Saavedra Lámas, the Argentine Foreign Minister.

Behind this outburst against Argentina is the Chilean-Peruvian trade treaty, against which Argentina has entered emphatic protests. This treaty is in line with the proposals made at Montevideo by Secretary of State Cordell Hull, but its workings, while beneficial to Chile and Peru, would militate against Argentina. Argentina has therefore threatened reprisals if the treaty is ratified.

This confusion and quarreling of early March was quite inexplicable in view of the fact that, shortly before, Chile had taken the lead in proposing an exchange of visits between Presidents Justo and Alessandri, and it was Chile that had given out the news that the visits were arranged. Hard upon that announcement came a statement from President Alessandri that the time was not ripe for the Argentine President's visit.

Some observers find the explanation of this seeming change of front in the drive for a "Pacific bloc" of Bolivia, Peru and Chile, which would be aligned against the "Atlantic bloc" which Argentina aspires to guide. Bolivian policy is actively encouraging such an alignment. It is aided by the fear of the massing of Argentine capital and influence in Paraguay, as well as by the traditional economic ties between Chile and Bolivia. Chilean sentiment has been explicit in blaming the continuance of the Chaco war upon Argentine influence. Chileans say that the war could have been ended at a turn of the hand by President Justo, but that Argentina hoped for a peace in which Paraguay could dictate terms.

Other observers find the explanation of President Alessandri's attitude in the uncertain political situation in Chile. Alessandri sits none too securely. He may have resorted to the old device of stirring up an international crisis in order to consolidate his position at home.

THE CHACO DEADLOCK

The first of April found every one involved in the Chaco war heartily

sick of the whole business. This included Paraguay, Bolivia, the League of Nations and bystanders—innocent and guilty.

Paraguay found herself suffering from too much victory. For five months she had pushed the Bolivians further and further back until she held all the disputed territory and more to boot. She had pressed on to Bolivian soil and threatened Villa Montes, the key to the Bolivian oil fields. These victories meant an increased distance from Paraguayan home bases, with the waste lands of the Chaco in between. During March, Paraguay made repeated and unsuccessful attacks upon Villa Montes—some twenty-five in all. Bolivia, fighting on her own soil and thoroughly aroused, showed new spirit and more than held her own.

Bolivia, on the other hand, after the humiliating reverses of recent months, showed signs of rallying and uniting. Under the lash of defeat, the major factions in Bolivia joined behind Provisional President Tejada Sorzano. He was scheduled to give up his office on March 5 to President-elect Franz Tamayo, but the Bolivian Congress decided against any present shift of power and continued Tejada until Aug. 16. In the meantime, much of Bolivian energy was being turned to the wooing of her neighbors. If the recent flare-up between Chile and Argentina may be taken as significant, Bolivia may be credited with having helped to drive a wedge between those nations.

The League of Nations on March 15 tentatively washed its hands of the Chaco war by turning it over to Argentina and Chile and such other American nations as might be receptive. This was done upon the assurance of Argentina and Chile that Paraguay stood ready to accept a truce and peace negotiations at Buenos Aires, provided her neighbors would *unite in guaranteeing her against a* subsequent attack from Bolivia. The *League of Nations, at the same time, retained ultimate jurisdiction in the dispute and named May 20 as the date* for convening its Assembly, with the understanding that the American States would have until then to prove their plan workable.

This arrangement, temporarily at least, released the League from an exceedingly awkward predicament. The League proposal to apply sanctions to Paraguay aroused a storm of criticism in South America. Both Argentina and Uruguay denounced the decision to lift the embargo upon arms shipments to Bolivia, while retaining it against Paraguay. There appeared general resentment in South America over the League's attempt to assess guilt against one of the contending parties. This South American resentment against the League was cordially reciprocated in League circles.

A slightly burlesqued footnote on the business of embargoes was furnished by the case of the four Curtiss-Wright bombing planes built for Bolivia but not delivered because of the embargo. These planes were reconditioned, and sold to the Tampa-New Orleans-Tampico Air Lines, Inc.—a firm of somewhat shadowy position in the air world.

The new company got the planes, which were immediately speeded on their way to Arica, which happened to be the port used by Bolivia. It was quite generally agreed that the planes would find their way to La Paz. Paraguayan newspapers were certain that the planes were built for the bombing of the Paraguayan capital. The American State Department apparently approved the releasing of the planes, convinced that they were not planned

for war purposes. South American public opinion, on the other hand, indulged in some caustic comment on the innocence of Washington. The Buenos Aires papers intimated that this was a clear case of American bad faith. They suspected conspiracy, whereas those familiar with the curious workings of our State Department were inclined to put it down as another mistake of that awkward arm of our government.

MEXICAN CHURCH TROUBLES

The peacemaker has not appeared in Mexico. The Church-State feud continued unabated through March. The acid distilled poisons the national life; it divides families and friends. Many Mexicans and outsiders look to President Cárdenas to supply the irenic word, but he has not done so. In the meantime, events throughout Mexico have grown more tense. On March 4, Mgr. José M. Gonzales, Archbishop of the State of Durango, issued a statement summarizing the charges of the church against the government.

"We believe it to be our conscientious duty," he said, "to protest before the nation against the innumerable outrages committed in the State of Durango which have not only violated the rights of the church but also the most elemental rights of citizens. * * * Almost all my priests have been imprisoned without cause. * * * Priests registered according to law have been expelled from the State. * * * Almost all the churches are closed, leaving vast regions and towns without provision for the faithful to fulfill their religious duties. * * * Catholics' homes have been invaded without a written order; religious objects, such as images of saints, being taken from them together with clothing and even food."

Archbishop Pascual Díaz, Primate of Mexico, was arrested on March 6 because of a visit to an outlying village for the confirmation of a group of children. He was held by the police for twenty-one hours, and finally released after paying a fine of 100 pesos ($27.75). This action caused widespread sorrow in Mexico, as the Archbishop enjoys respect and veneration within and without the church.

On March 3 students of the University of Guadalajara decided to parade in protest against the government's education program. Guadalajara, the second city of the republic, is the centre of conservatism and clericalism. This parade, reflecting the sentiment of the old families of this most Spanish of Mexican cities, was interrupted by the Red Shirts, a youth group which supports the government and which has shown marked Fascist tendencies. As a result three were killed and seven wounded.

It is well nigh impossible to appraise the effects of this religious struggle upon the people of Mexico. Certain tendencies seem clear. First, the lines are tightening on both sides. The governing group—always a small minority in Mexico—becomes more firm and thoroughgoing in its anticlerical stand. The church constituency—again a minority, if the faithful and determined are reckoned—wins redoubled zeal. Second, the conviction of persecution gives renewed ardor to religion. Masses are again being celebrated in private homes, with priests in civilian garb making their way from house to house. It is dangerous to be devout in Mexico today, and devotion undoubtedly increases in the process. Third, threats of interference and offers of advice from the outside, and especially from the United States, probably serve to make the task of peacemaking the

more difficult. Many Mexicans of both government and church camps are saying privately that they would prefer an end to the flood of resolutions and threats that pours down from the North.

CUBA'S GENERAL STRIKE

Swift changes, it appeared on March 1, were imminent in Cuba. Three of the major political groups, the somewhat Fascist ABC, the somewhat radical Autenticos, of which Grau San Martin is the chief, and the old guard Menocalistas, formed a bloc in preparation for any sudden change in government.

In the meantime, the island was moving toward a general strike. The students and the professors were already out on strike. They were preaching everywhere up and down the island that only a general strike could unseat Mendieta. The first week of March saw daily accessions to the striking forces, and by March 8 a general strike was on in all earnest. The scenes of August, 1933, when the people rose up against Machado, were re-enacted. Wheels stopped turning, shops closed. This time there was a difference. Mendieta, emboldened by Batista, determined to crush the strike and proved to be a harsher taskmaster than Machado. All constitutional rights were set aside; leaders of the dissident factions were imprisoned and, in some cases, killed. After a campaign of ruthlessness and terrorism had swept the island, the general strike was broken, and by March 13 the government was victorious.

President Mendieta dismissed the strike as the work of "a small minority who realize they would not obtain the support of the people in an election and wish to triumph through violence." He declared that it was a strike "against the very foundations of the republic." Washington took the view that the great bulk of the people were loyal to Mendieta. It now seems clear that both the Cuban President and the Washington State Department were quite wrong. Sober estimates place the number of strikers at about 500,000. Included in this number were practically all the schoolteachers of the island, about 50,000 government employes, all varieties of labor unions from the most respectable to those of the extreme Left, the bulk of the ABC, the leaders of the Autentico group and the various groups of radicals on the Left fringe.

The record is clear. The Cuban Government won by an appeal to force and by measures as violent as any used by Machado. Labor unions have been broken up and their funds confiscated. Many of the ablest and most patriotic leaders of the island have been jailed or forced to flee. It does not augur well for peaceful elections in the near future.

THE HAITIAN TRADE TREATY

Secretary of State Hull celebrated on March 28 the signing of a trade agreement with Haiti. Under the terms of the agreement the United States is accorded substantial advantages on commodities such as electrical machinery, radios, automobiles and so on; reductions in tariff rates amount to as much as two-thirds of the present rates. The reductions made by the United States on commodities imported from Haiti cannot be expressed in figures. The chief value of the agreement to Haiti is that the United States agrees to retain on the free list the goods which constitute Haiti's chief reliance—coffee, cocoa, sisal, logwood and bananas. In addition the United States lowers the duty on rum and fruits.

Britain Adds to Her Arms

By RALPH THOMPSON

FEW more controversial subjects could have been brought before the present British Parliament than that of increased arms expenditure. Coming as it did when the peace of Europe seemed about to collapse, the government's almost warlike proposal confounded friends and enemies alike, and so affected Herr Hitler, miles away in Berlin, that he came down with a severe sore throat. Even Prime Minister Ramsay MacDonald succumbed to a heavy cold and was unable to attend the Parliamentary debate which his policy inspired.

The background of the debate was as follows: On March 4 there were published the Army estimates for the coming fiscal year, showing an increase over the present year of approximately $20,000,000, and the now-famous White Paper, "Statement Relating to Defense." On March 5 the Air Ministry estimates revealed the largest air budget since the World War, exceeding that of 1934 by about $18,000,000, and on March 6 it was shown that the Navy would require the huge sum of $300,000,000 for 1935, an increase in twelve months of over $15,000,000. Little wonder that outraged protests filled the air and that the Opposition immediately prepared a motion of censure.

The White Paper—the "remarkable, deplorable and unusual White Paper"—was no hesitating document. It dealt with the situation in blunt terms. Additional expenditure on the three defense services could no longer be postponed because Germany was "rearming openly on a large scale," because her population was being so organized as to "lend color to and substantiate the general feeling of insecurity," and because Russia, Japan, the United States and other countries were adding to their armaments. Despite their desire for peace, the British Government owed it to the empire to strengthen its defense so as to provide adequate protection in case of emergency.

The storm broke on March 11. Clement R. Atlee, Labor spokesman, rose in the House of Commons to condemn the tactlessness of publishing such a document on the eve of Sir John Simons's Berlin visit and moved that it was "completely at variance" with the spirit of the League of Nations and would ultimately lead to war. Stanley Baldwin replied for the government in a brilliant speech, while Sir Herbert Samuel attacked from the Liberal benches what he termed the "heavy-handed, clumsy-footed diplomacy" of the Cabinet. When the House adjourned at midnight, after a debate of nine hours, the voting had shown an overwhelming government majority. But the bitter charges of the Opposition and the unseemly demonstrations in the Strangers' Gallery as peace leaflets were more than once thrown upon the floor of the Chamber showed clearly enough the feeling that had been aroused.

When a few days later Lord Ponsonby brought forward in the House of Lords a motion of censure similar

to that considered by the Commons it was rejected without a division. But at about the same time the results were announced of a nation-wide peace ballot sponsored by the League of Nations Union and other national groups, and these showed that the vast majority of those canvassed believed in the League, in disarmament, in security by non-military measures—in other words, stood diametrically opposed to the government position on matters of defense. Mr. MacDonald, however, refused to give in. When on April 2 he was asked to allow the Commons to debate the matter once again, he replied that the press of other Parliamentary business was too great.

Indeed, domestic affairs were not so tranquil and well ordered that Parliament could neglect them. The fiscal year had ended on March 30 with a surplus of some $35,000,000, even after reductions in the tax burden, but Neville Chamberlain was preparing to make full use of the excess revenue in his 1935 budget. What is more, Lloyd George's well-advertised and perhaps vital "New Deal" proposals had been since March 14 in the hands of the Prime Minister and his Cabinet, and from another quarter came the news that Sir Oswald Mosley had on March 25 packed Royal Albert Hall to explain how "Jewish international finance" was throttling British Governments and British Parliaments. The pound sterling, at the same time, was behaving strangely in the world's money markets.

Distracting also were the reports that once May and the King's Jubilee were over, Prime Minister MacDonald would resign and Sir John Simon would be politely shouldered out of the Foreign Secretaryship. Indications of increasing Labor strength came on April 1 with the results of the annual elections to rural and urban district councils. Parliament therefore had worries enough at home, what with these rumors, the continued agitation among the unemployed and the need to consider pending legislation.

The chief domestic measure was, perhaps, the Cattle Industry (Emergency Provisions) Bill. Having agreed in February to the necessary financial resolutions, the House of Commons on March 15 passed the bill itself, and the subsidy to British livestock growers was thereby extended to July 1. A White Paper issued on March 6 had pointed out that the home industry had suffered despite past agreements with the chief sources of foreign supply—Argentina, New Zealand and Australia—and that temporary relief had been granted in 1934 with the original subsidy provision. Since no permanent policy had been agreed upon and since the temporary relief was due to expire on March 31, an extension was clearly necessary. Before July 1, it is now hoped, a long-term agreement will be reached.

The most desirable long-term scheme, in the opinion of the government, would provide a levy on imports (with preference for the Dominions), and would leave the Dominions and other overseas producers to regulate for themselves their exports to the British market. To this proposal both Australia and New Zealand have entered vigorous objections, and Prime Minister Lyons of Australia, now in London, made an effort late in March to reach a satisfactory arrangement. Thus it seemed that the difficult problem of how to safeguard British producers without unduly raising consumer prices and without alienating either the Dominions or the great Argentinian market might yet be solved.

Further demonstrations by unem-

ployed workers against the Unemployment Assistance Act took place in Scotland and in Wales despite the fact that the Assistance Board's regulations were half in suspense—operating where they had increased allowances and not operating where they would have caused reductions. In Glasgow on March 24 a huge procession numbering, according to different estimates, from 25,000 to 70,000 marched through the city streets to the tune of flute and pipe bands, listened to speakers on Glasgow Green and ate soup from a field kitchen. Those from outside Glasgow were housed for the first time in history in public buildings (the city corporation has a Socialist majority) and were given free use of the municipal baths. No arrests were made.

The South Wales affair was less pleasant. When on March 21 a squad of Monmouthshire policemen attempted to intercept a contingent of thousands of unemployed, scores were injured in one of the worst conflicts ever seen in the region. The local Public Assistance Committee had refused to meet the marchers' delegates.

What these demonstrations indicated puzzled observers. Since assistance to the unemployed had become a national service it had been thought that the inequalities in treatment formerly complained of would disappear. Yet the hated household means test still rankled, and the disheartening news of increased unemployment in January and the small decrease (about 40,000) in February, combined with the continued resentment against the modified assistance regulations, implied that unless economic recovery was hastened, new unemployment legislation would soon be necessary.

THE INDIA BILL

The Government of India Bill moved through the committee stage in the Commons even more slowly than had been anticipated. Labor critics continued to pounce upon clause after clause, and time and again Mr. Winston Churchill rose to adminster rebukes. The proposed Federal Legislature, he declared on March 12, was probably "on the whole the worst Legislature that had ever been planned," and as for the Constitution in entirety, it would shackle India with "the worst aspects of capitalism." But to such dour opinions the majority listened unmoved. By the end of March four of the fifteen parts of the bill had been approved without important alteration.

On March 18 a curious White Paper entitled "Views of Indian States" was published in Delhi and London. It was intended to squelch those diehards who declared that since the Indian Princes did not wish to enter the Federation the whole scheme might as well be dropped, and to satisfy those Princes who had qualms regarding their status once they did join. But it is doubtful whether either of these aims was accomplished. The document was, according to one critic, as difficult of interpretation as the Epistles of St. Paul, and its sponsor, Sir Samuel Hoare, evidently felt the same way, for he went into lengthy explanations. The Princes would not be asked to join the Federation, he told the Commons on March 20, until the present bill was passed. Once the measure was on the statute book, then the relatively minor questions which now agitate the Princes could be speedily solved.

IRISH FREE STATE STRIKES

St. Patrick's Day found the Irish Free State involved in a difficult strike. On March 3 Dublin's street cars and buses came to a halt as op-

erators walked out in sympathy with a discharged bus driver. Two days before, service on the Great Southern Railway had been suspended, also because of a single worker, with the result that practically all Southern and Western Ireland was isolated. The government immediately set up a court of inquiry and the Department of Industry and Commerce began hasty negotiations. On March 12 the railway troubles came to an end, but difficulties in Dublin continued. In desperation the government finally manned street cars and buses with troops, and a makeshift emergency service was set up.

Meanwhile President de Valera delivered his St. Patrick's Day message, citing the advances made by the Free State during the past twelve months and the prospects for the future. Enthusiastic as his hopes may have been, they were necessarily tempered by the troubles in the capital and by the fact that he was at last finding it imperative to make up his mind about the more radical elements in the country. Extremist Republicans had decided that the holiday was a good time for a series of demonstrations against the government, and two Dublin policemen were shot a few days later. What swung the balance, however, was the letter addressed on March 24 by the Council of the Irish Republican Army to the transport strikers. The government was using troops for strike-breaking purposes, said the letter, and hence the I. R. A. offered its "services."

Mr. de Valera moved with unexpected swiftness Early on the morning of March 26 about eighty prominent Republican leaders were arrested, including Donal O'Donoghue, editor of the I. R. A. newspaper, *The Republic*. Further arrests in outlying districts of the Free State followed within the next few days. The consequence was that Mr. de Valera, who since he came into office had sought to conciliate the extremists, found himself doing more or less what his predecessor, William Cosgrave, had found it necessary to do. Sniped at from the Right by the Cosgravites (Mr. Cosgrave, incidentally, was on March 21 once more made president of the United Ireland party) and from the Left by the Republicans, the Free State Government found itself in an increasingly difficult position.

SOUTH AFRICAN PROGRESS

Reports from South Africa indicate that both politically and economically the Union is in a thriving condition. Shortly after Parliament assembled last January Dr. Malan, leader of the remnants of the Nationalist party, attempted to put through a motion of no confidence, but the House of Assembly rallied to the support of the government with overwhelming force. Tielman Roos, moreover, shortly before his death on March 28, dissolved his small Central party and recommended to the members that they should lend their strength to the Union party. The opposition to the Herzog-Smuts fusion, at best weak, was thus weakened still further.

Economic well-being was reflected in the national budget, presented to the House by Finance Minister Havenga on Feb. 20. A surplus of over $10,000,000 was reported for the present year, with one of similar magnitude in view for the next year. The railway budget was likewise favorable, with a gross surplus of approximately $15,000,000 from this year's operations, despite restored cuts in wages and salaries. Unemployment figures are substantially lower than in the past.

The War Strength of France

By FRANCIS BROWN

FRANCE in recent weeks has been concerned more with foreign affairs and national defense than with matters of strictly domestic import. War fears once again gripped the public mind, tending to obscure the financial situation, the sorry state of French business and the usual political intrigues.

Foreign affairs, of course, are always near the foreground of French problems. The series of international crises since the World War have never permitted Frenchmen to forget that across the line are "les Boches," anxious presumably to invade once more the fields of Northern France. The rise of Nazi Germany to world power and the gradual disintegration of the Treaty of Versailles have made the traditional nightmare still more real—and this at a time when French military strength has been questioned.

French military leaders have for some time been worried about the classes now entering service, for these boys represent the war years when the birth rate was low. Unless the term of service were extended, the generals said, the French Army would fall below its required strength. Agitation for two-year military service came to a head in March, when the Cabinet approved such a proposal. By a bill which passed the Chamber on March 16, the term of service was increased to eighteen months for all called up before May of this year; thereafter and until 1939 the classes must serve two years. Should conditions warrant, however, the term may be revised downward.

Was it only a coincidence that later on the day this bill passed, Germany announced her intentions of instituting universal service and creating a great army? (See Professor Nevins's article on page 170.)

As the international situation became tense in early April, French troops were moved toward the northeastern frontier. The elaborate fortifications erected since the World War were fully garrisoned and troops were set to work stringing barbed wire and digging trenches in the undefended stretches between the forts. On April 6 it was decided to retain for three months the 160,000 conscripts whose service was due to expire on April 13. The French High Command obviously had no intention of being caught napping should war break out.

Other branches of French defense seemed likely to be reinforced by various proposals before Parliament. François Piétri, Minister of Marine, submitted to the Chamber on March 12 a bill for the construction of two 35,000-ton battleships. Less than a fortnight later the Chamber approved the laying down immediately of one such ship and of another after Jan. 1, 1937. Reorganization of the air service came before the Deputies early in April. During debate on the bill the government admitted that the French air fleet was inferior to the German. All these measures and proposals together with the voting of appropriations to encourage the enlistment of professional soldiers gave point to General Weygand's recent statement: "Diplomacy has failed so signally that

we must ask ourselves whether we are not back where we were in 1913."

The Conservative press and Deputies of the Right have attacked the Flandin government for its lack of a vigorous foreign policy and for its half-hearted measures of national defense. Though these attacks have little justification in fact, they indicate both the waning power of the Ministry and the growing nervousness in the country. Premier Flandin took public notice of the attacks when, during a speech in Vincennes on March 25, he appealed for a united country and declared that "foreign nations are taking seriously our fighting among ourselves." Defense forces, he told his audience, "are a good deal stronger than you imagine. I would not be uneasy if it were only a question of our material forces."

The war scare gave a fillip to French business, particularly the munitions industry. Employment in March rose about 10,000, the direct result of greater activity in steel, chemicals, &c. Chemical stocks on the Bourse rose from 8 to 13 per cent, while the quotations of Schneider-Creusot, the great armaments trust, increased 20 per cent.

This stimulus was most welcome, for French economy has shown no signs of revival. The government deficit for 1934 will total at least 7,000,000,000 francs. Price indices show a continued rise in the cost of living, while the fall of the pound has caused French business men to fear that British goods may be dumped in the French market. Premier Flandin meanwhile has been urging his twin policies of credit extension and lower interest rates. He has also given lip service to the principle of disarmament. "For all Europe," the Premier said at Lyons on March 10, "in which the public finances of nearly every country have been ruined by military expenditures, it is essential that a concerted reduction of armaments shall soon be reached."

THE STAVISKY CASE

The Stavisky affair entered upon a new phase when on March 14, after fifteen months of investigation, indictments were returned against nineteen persons involved in the Bayonne municipal pawn-shop scandal. Among those indicted were Arlette Stavisky, widow of the notorious swindler; Joseph Garat, former Mayor of Bayonne and Radical Socialist Deputy; Gaston Bonnaure, former Deputy from Paris, and Albert Bardi de Fortou, a retired general. The two Deputies were expelled from the Radical Socialist party at its convention in May, 1934, and the army has already broken the general. To defend the accused, sixty-nine lawyers, nearly all the famous criminal lawyers of France, have been engaged.

Belgium Goes Off Gold

THE storm which had so long been gathering over Belgium broke suddenly on March 19 when the Theunis Cabinet resigned in the midst of a financial crisis. For months it had been apparent that sooner or later there was going to be trouble; the public policy of deflation was causing widespread suffering and resentment, and was ever in danger of being upset by events outside the government's control. When in late February the pound sterling slipped on foreign exchanges it became obvious that Bel-

gium's carefully erected price system was about to crumble.

Recent Belgian governments have been forced to pursue contradictory policies. Close association with France kept the belga on gold while a public which had not forgotten post-war inflation opposed all suggestions of currency devaluation. Since Belgium's economic life is so largely dependent upon export trade, the maintenance of the belga at parity made it all but impossible for Belgium to meet the competition of those commercial nations whose currency since 1931 has fluctuated or been devalued. Successive Cabinets nevertheless tried to retain the life-giving foreign trade.

The attempt had some degree of success, but at great sacrifice. Deflation, which entailed rigid government economy, wage cutting, price reductions and slashing of doles and pensions, lowered Belgian business costs to a point where some goods did find a place in the world markets. But this policy presupposed that foreign currency, particularly sterling, had reached a new level and would not fluctuate. Any sharp fall in the pound was certain to upset Belgian export business. Deflation, moreover, was not enough to overcome all Belgium's difficulties. Government economy failed to balance the budget; the banking system persistently showed numerous cracks and continually threatened to collapse. Grumbling in the streets contributed to the political instability which periodically forced Ministers to resign.

Yet Belgium could probably have continued to limp along indefinitely had not sterling begun again to slip. Thereupon it became clear that if the pound dropped to any considerable extent the belga would have to go off gold. Premier Theunis on March 7 told Parliament that the parity of the belga would be maintained and opposed depreciating the currency. Within a week, however, foreign observers declared that the belga was tottering and on March 16 the leaders of the Belgian Cabinet hurried to Paris to discuss with French officials the developing crisis.

The meeting had been originally set for March 18, but events forced the date to be advanced. The campaign for devaluation had been gaining ground, winning over many industrialists and merchants. Emile Francqui, Minister of State and sometimes, because of his great economic power, called the uncrowned king of Belgium, was known to favor devaluation. Nervousness over the general situation led to a fall in government bonds and a flight of capital. Heroic measures were now necessary. Exactly what Premier Theunis expected to bring home from Paris was never announced, but presumably he hoped to obtain substantial loans with which to meet the budgetary deficits and also promises that French customs barriers would be lowered for Belgian goods. That he returned to Brussels empty-handed, or nearly so, developments quickly showed.

Two royal decrees on March 17 placed operations in foreign exchange and dealing in gold under government control. To all intents and purposes these decrees removed Belgium from the gold standard, although the government declared that the action had been taken only to curb speculation. If the nation wondered what was coming next, it had not long to wait. On March 19 Premier Theunis unexpectedly announced in the Chamber of Deputies his Cabinet's resignation. The head of the government was apparently unwilling to assume responsibility for the devaluation of the belga which lay ahead.

Not until March 23 was a new government formed, and in the meantime the Bourse had experienced feverish activity. Runs occurred on the banks; 300,000,000 francs, it was said, were withdrawn in one day from the great Société Générale. The strain was increasing when King Leopold, after inviting several leaders to form a government, turned to Dr. Paul van Zeeland, a 42-year-old banker and economist. The latter accepted the task and on March 25 announced the membership of his Cabinet. Liberals, Catholics and Socialists were represented, among them Emile Vandervelde, leader of the Socialists, who entered the government without portfolio. M. van Zeeland himself took the portfolio of Foreign Affairs.

Though the new Cabinet's policy had been generally forecast, it was not made public until March 29 when the Premier went before the Chamber. By a vote of 107 to 53 the Deputies approved the suspension of the gold standard and a 30 per cent maximum devaluation of the belga. The Premier also proposed the reorganization of the banking system with government control of banking and credits and government guarantee of deposits. A public works program, tax reduction, mortgage relief and credit expansion were outlined as measures necessary for the rehabilitation of the Belgian economy. To carry out his program the Premier asked for power to govern for a year by decree; this request the Chamber granted.

The prospect of devaluation caused a rush of consumers into the market and prices immediately rose, continuing after April 1, when the value of the belga was cut 28 per cent. On the Bourse, which reopened April 1 after being closed for five days, quotations for industrial securities soared. Premier van Zeeland had sought meanwhile in a radio broadcast to lull the prevailing fear and uneasiness. Whether confidence could be restored was hard to determine, although it seemed likely that the government's rapidity of action might be reassuring. Thus the *Official Gazette* on April 1 published decrees providing for conversion of Belgian Congo loans, for bank and stock exchange reform, for control of fuel, for regulation of money, for reduction of taxes and for new laws concerning subsidies, pensions and so forth. Apparently the van Zeeland Cabinet knew what it wanted.

The Belgian suspension of the gold standard was generally regarded as the first move in the dissolution of the gold bloc. Though the Netherlands and Switzerland denied that they would follow the Belgian lead, the situation in those countries made it seem likely that before long they too would have a managed currency. In French financial quarters calm prevailed, a calm which may have been more apparent than real. For the moment the one country to follow Belgium was Luxemburg, which on April 1 closed its banks and the Bourse and devalued the franc 10 per cent.

Belgian opinion was by no means united on either the necessity or the wisdom of devaluation. Conservatives and Liberals generally opposed the program of Premier van Zeeland and criticized his devaluation scheme as untimely. Fernand Beaudoin, a Belgian financial expert, declared that it would have been better to tie the belga to the pound rather than to decree a fixed devaluation. Since there was no assurance that the pound would not continue to fall, this contention appeared sound. But in any event, with the advent of the van Zeeland government Belgium entered upon new paths. F. B.

Germany Raises a Conscript Army

By SIDNEY B. FAY

CHANCELLOR HITLER startled the world on March 16 by suddenly announcing that Germany would reintroduce military conscription in place of the small professional army allowed by the Versailles treaty. His new "Law for the upbuilding of a defensive force" consisted of three brief paragraphs: "(1) Service in the defensive force takes place upon the basis of universal military service; (2) the German peace army, inclusive of police troops incorporated therein, consists of twelve corps commands and thirty-six divisions; (3) the supplementary laws for regulating universal military service are to be presented to the Reich's Cabinet by the Reich's Minister of Defense."

As the international aspects of the situation created by this act of defiance are discussed elsewhere in this magazine (see Allan Nevins's article on page 170), let us see what effect the move had in Germany itself. Here the news was received with great enthusiasm. No act of Hitler appeared to have been more popular. Nazi leaders pointed out quite correctly that the new military system was a return to German traditions and to one of the main forces which had made Germany great in the nineteenth century. By the Versailles treaty Germany was allowed an army of 100,000, in which the soldiers enlisted for twelve years and the officers for twenty years. Practically all other European powers, except Great Britain and Germany's former allies, maintained universal service. Hence to the German mind it was a matter of great pride, joy and justice that their leader had had the courage to denounce the "dictated" treaty and to restore the peculiarly German institution of military conscription.

Hitler, Goering, Goebbels, Blomberg and other Nazi leaders emphasized that there was nothing warlike in this step. It only gave a realistic basis to the armament discussion, for every one knew that Germany had been gradually increasing her army above the 100,000 figure, foreign estimates varying between 300,000 and 500,000. Hitler's new proclamation stated publicly as law a transformation of Germany's military forces that had been surreptitiously taking place more or less with the acquiescence of the other European powers.

One of the advantages of universal military service that Nazi leaders and the press emphasized, and that appealed strongly to the German mind though probably not to most foreigners, was its educational value. Universal military training, it was held, had given and would teach German youths self-discipline, obedience, order, a sense of comradeship and the common good of the whole Fatherland, while tending to counteract excessive selfishness, individualism and sectionalism. Pre-war Germany, it was often said, was relatively free from the industrial strikes and disorders which afflicted other countries because of the spirit with which universal military training imbued a people naturally inclined toward order

and submission to those in authority. Having been trained to keep step and obey orders in the army, men did likewise when they went back to civil life.

Among Hitler's motives for the unilateral denunciation of Part V of the Versailles treaty there was undoubtedly the delay by the other powers in granting Germany military security in practice even after it had been accepted in principle.

What the size of the new German Army will be cannot be stated at the moment these lines are written. Many estimates have been made by Germany's neighbors, varying generally between 400,000 and 900,000. But these are without the slightest foundation. As the new law states, the supplementary measures providing for the details are yet to be worked out and presented to the Reich Cabinet by the Minister of Defense. Nor can the size of the twelve army commands and the thirty-six divisions be foreseen. One may surmise, however, that the term of service will probably be one year and that the officers will be secured by drawing upon and promoting men who have been efficiently trained in the existing professional army, or Reichswehr.

The first contingent to be recruited will probably be the 250,000 young men who have already been somewhat hardened in health and discipline by their half-year's service in the labor camps. These labor camps, originally "voluntary," have in recent months become practically obligatory for all youths who want to enter the universities, secure government employment, or even employment of any kind. Because of unemployment, it was decreed some time ago that employers were to engage only men who could show a certificate indicating that they had served in a labor camp. With the new military conscription, these labor camps are likely to be continued, both as a means of relieving unemployment and as giving some sort of preliminary training that will be useful as a preparation for regular service in the new army.

Germany has agreed that the Saar Territory forms part of the demilitarized zone provided by the Versailles treaty. France in notes to Germany stated that she interpreted the treaty as forbidding Storm Troops, Black Shirts and labor formations, as well as strategic railways and highways in the Saar, and Germany by silence on these points appeared to assent. Germany also agreed that the Saar police should not normally exceed the present total of 1,500, and that only one airport and one landing ground shall be added in the Saar, both for civil purposes.

GERMAN RELIGIOUS CONFLICT

The conflict between the Nazi Reich Church under Bishop Mueller and the Opposition Pastors led by Dr. Niemoeller, Dr. Koch and Bishop Marahrens of Hanover broke out again early in March. Since Christmas the conflict had been relatively quiescent, but efforts to restore permanent harmony proved futile.

Representatives of the Nazi Christian Movement in the German Evangelical Church met late in February and decided to ask Bishop Mueller to resign. He, as usual, refused, claiming that he still had the confidence of Chancellor Hitler. Thereupon it was suggested that he should seek an audience with the Chancellor and obtain confirmation of his claim. At Berchtesgaden on Feb. 27 Herr Hitler apparently decided not to sacrifice Bishop Mueller because he did not feel sure that all Protestants were ready to unite under Bishop Marahrens.

The Confessional Synod's Brotherhood Council, representing the Opposition Pastors, thereupon issued a rather violently worded manifesto against the new paganism and even against the Nazi doctrine of totalitarianism. It denounced as a "deadly danger" the "new religion" through which "a racial and nationalistic view of life has become a creed." This creed is expounded most definitely in Alfred Rosenberg's *Myth of the Twentieth Century.*

The manifesto was read from many of the Protestant pulpits on March 10, but was widely confiscated by the State secret police the next day. Two days later the government announced that the church share of the tax in Prussia would be reduced by one-fifth, which was generally understood as a warning to the Opposition Pastors. Minister Frick, speaking at Luebeck on March 14, deplored the fact that the German Protestants had been unable to come together on the basis of the church constitution adopted in July, 1933, and went on to stress "four facts which remain incontestable: First, the legality of the German Protestant Church constitution of July, 1933; second, the validity of the church elections of July, 1933; third, the church elective bodies derived from these elections; and fourth, the election of a Reich Bishop by the National Synod." These four points have been contested by some of the highest courts in Germany, but Herr Frick was clearly placing himself behind Bishop Mueller and the events which brought him into office.

The following Sunday, March 17, when the pastors again proposed to read their manifesto, they were forbidden to do so, and to prevent it some 700 of them were placed under temporary arrest in their homes. A week later, however, the government decided that the pastors might read the manifesto if a sentence were added declaring that it referred only to the tendency toward "Nordic paganism." This compromise, as well as other signs, seemed to indicate that the Nazi government was tending to dissociate itself from the crude Nordic paganism of some of its followers.

AUSTRIAN MILITARY PLANS

Following Germany's example and that of the other powers, Chancellor Schuschnigg announced on April 3 that the Austrian Cabinet was considering an increase in the army beyond the 30,000 fixed by the Versailles treaty. "The Cabinet expressed the unanimous conception that the granting to Austria of full equality was a self-evident supposition." Whether he would proceed like Germany to unilateral action he did not say. More likely he will ask the consent of friendly supporters like France and Italy, consent which is likely to be given, as it might strengthen Austria against the German Nazis.

Rumor stated that the army might be about doubled to 60,000 men, that it would be based on a two-year term of service, and that it would gradually absorb the semi-military organizations of the Fascist Heimwehr and the Catholic Storm Troops. Increasing friction between these two organizations developed during March, and their incorporation in the new army might be a happy way of getting rid of them both. Prince von Starhemberg, Vice Chancellor and head of the Heimwehr, however, was not present at the Cabinet meeting where these plans were discussed, and it is doubtful whether he would look with favor upon the dissolution of the organization from which he derives so much of his power and prestige.

The dramatic trial of Dr. Anton Rintelen, former Austrian Chancellor, which began before a military court on March 2, ended two weeks later with a maximum sentence of life imprisonment on the grounds of "complicity with high treason." The aged man, broken in mind and body, protested stoutly his innocence, saying that he had no connection with the Nazi putsch of July 25, 1934, which resulted in the murder of Chancellor Dollfuss; if his name had been used by the conspirators, it was without his consent or knowledge. No direct proof of his connection with the plot was adduced, but there was much circumstantial evidence. Several persons testified to his political ambitions, to his jealousy of Dollfuss and to the latter's distrust and fear of Rintelen, whom he sent as Minister to Rome to get him away from Vienna.

Two days before the attack on the Chancellery, Rintelen returned unexpectedly from Rome to Vienna. His valet testified that in Rome Rintelen had had several long talks with a German Nazi named Weidenhammer, who was believed to be one of the ringleaders in the plot. A prominent industrialist swore that, at the moment the plot was being carried out, he had met Weidenhammer in a corridor near the room which Rintelen occupied in a Vienna hotel. A few hours later Weidenhammer fled from Vienna to Czechoslovakia. Rintelen, however, denied ever having known a man named Weidenhammer. Another circumstantial piece of evidence was Rintelen's attempted suicide upon his arrest when it was known that the plot had failed. Rintelen explained that in his excitement and indignation at the news of Dollfuss's death he had unthinkingly seized a pistol and turned it against himself.

In connection with this same case the military court sentenced two other officials to life imprisonment, Major Selinger of the Third Infantry and Police Commissar Gotzmann, formerly commander of the Vienna storm detachment. Police Major Heischmann was sentenced to fifteen years' imprisonment and Chief Police Commissioner Paul Hoenigl to twelve years.

SWISS FASCISM

Inspired by the Italian Black Shirts on one frontier and by the Nazi Brown Shirts on the other, there has recently developed a considerable tendency toward fascism in Switzerland. This makes the government all the more sensitive to Fascist intrigues from abroad and to outrages like the alleged kidnapping by German Nazis of a man on Swiss territory.

In a strong protest note to Germany on April 2 the Swiss Government complained that a German Nazi, Dr. Hans Wesemann, got the confidence of Berthold Jacob, another German, who had written newspaper articles against the Nazis, and enticed him to Basle. There, on the night of March 9, he was kidnapped by Wesemann, who fled with him in an automobile to Germany. Instead of stopping for inspection at the Swiss frontier station, the automobile sped by at fifty miles an hour. Since then the Swiss have been unable to find any trace of Jacob. The Swiss Government therefore protested that their sovereignty had been wrongfully infringed, demanded the return of Jacob and said that meanwhile they would hold Wesemann as a hostage.

Italy: A Nation in Arms

By WILLIAM E. LINGELBACH

IN the midst of the crisis caused by the new demands of the German Government, Italy mobilized the entire conscript class of 1911, totaling 220,000 men. Added to the two classes already in service, and that of 1934 just called to the colors, it brought the strength of the forces actually mobilized and ready for war to more than 600,000.

In order to allay the anxiety over the sending of the troops to Africa at a time when war threatened in Europe, Premier Mussolini issued a reassuring communiqué in which he reminded the nation that under the military service law all able-bodied Italian males between 18 and 54 were liable to service in case of war; that this meant an army of 7,938,000 men, and that the expeditionary force sent to Africa therefore represented less than half of 1 per cent of the nation's military strength. Besides, he added, the Italo-French accord made the danger of a war growing out of the present European situation very unlikely.

A few days later, on April 2, the Under-Secretary of Air told the Senate that Italy had 1,507 up-to-date military planes ready to fly at a moment's notice; that at the time of the Dollfuss assassination the entire force was mobilized and ready to take off six hours after orders were issued. He told of huge fuel supplies in subterranean reservoirs protected against attack, and of the increasing use of alcohol for motor fuel.

With the nation's finances in such a state that any extra burden on the national resources can be supported only by unusual sacrifices Italy's military measures can be explained on the basis of dire necessity alone, or as wanton recklessness, oblivious to the danger of domestic and foreign complications. In case of war Italy will assuredly be ready for any emergency both physically and morally.

For some time the drive for social reform, which characterized the Fascist State in its earlier days, has been superseded by an intense propaganda to make the nation military minded. In general this has been associated with the development of the military training program for all males from 6 years of age to 34 in three successive stages. The first prepares boys from 6 to 18 physically and mentally to bear arms; the second imposes intensive service on those from 18 to 22½ years—three years with the Fascist Militia, followed by eighteen months in the active army; and the third covers a period of ten years of military training with the reserves. For all this, the quarrel with Abyssinia, and, more recently, the European war scare, have furnished excellent arguments.

During the month the successive military contingents arrived in Africa. Abyssinia, however, repeatedly proclaimed its offer for a peaceful settlement and, as a counter-move to the Italian show of force, instructed its Minister in Paris to demand that the dispute with Italy be again put on the agenda of the League Council.

The friction between the two coun-

tries over boundary delimitations resulted on Dec. 3, 1934, in an encounter between the Italian garrison at Ualual and a band of Ethiopian irregulars. Italy demanded satisfaction. Abyssinia agreed to the adjournment of the examination by the League with the idea, so Emperor Haile Sélassié declares, that Italy would appoint a committee of conciliation in accordance with Article 5 of the Treaty of 1908 between the two States. Italy proposed instead the establishment of a neutral zone and a bilateral delimitation of frontiers. In the meantime, another encounter took place, this time between an Italian garrison evacuating Afdub and an Abyssinian patrol.

That Mussolini has no intention of changing his policy is shown by the fact that the dispatch of troops to Africa continued uninterrupted, and on March 8 General Graziani, the conqueror of Arab resistance in Libya, was made Governor of Somaliland and put in command of all the troops in the province. The *Giornale d'Italia* pointed out that the policy of the Abyssinian Government was still "very obscure and should be watched with great care."

Rumors of Japan's becoming mixed up in the affair have been denied by the Japanese Ambassador to Italy. He pointed out that economic concessions in favor of Japanese subjects in Abyssinia were entirely private in character and that Japan had no object other than to foster the development of its regular trade in East Africa. To that end, he declared, she would in the coming year accredit a diplomatic agent to the Emperor's court at Addis Ababa. But this, too, is a matter of concern to Italy, since, more than most countries, she has suffered from economic competition with cheap Japanese labor. Possibly the expeditionary force is designed largely as a coercive measure to secure special concessions of an economic character in a country so rich in natural resources.

ITALIAN TRADE

The rigorous trade regulation of the decree of Feb. 16, which virtually restricted imports to a "balanced exchange" on a barter system, operated with telling effect during March against the trade of countries like the United States with which no exchange agreement had been made. Meanwhile, Italian commerce with the countries where a similar rigid control was exercised by the government, and where barter arrangements could be effected, was stimulated. With these nations 100 per cent exchange of specified goods has been licensed. In Washington the effect has been unfortunate and notice was indirectly served upon Italy, Denmark, Germany and Portugal that the United States might retaliate by abrogating most-favored-nation-clause privileges.

Negotiations for an American trade agreement with Italy are hampered by the ultra-nationalistic policy of fascism. That Washington's reaction is of vital importance to Italy is evident from the fact that, if a balanced trade with the United States is to be effected, Italian exports to this country will have to increase by approximately 300,000,000 lire. The total of Italy's unfavorable trade balance for 1934 was well over 1,700,000,000 lire.

SPANISH CABINET FALLS

The ghost of Spain's October rebellion, which was supposedly laid several months ago, suddenly reappeared in dramatic fashion late in March, causing the upset of Premier Lerroux's coalition Cabinet. Disagreement arose over the death sentence of

Ramon Pena and the severe penalties imposed upon others for their part in the Asturian uprising. It has been well known that the Prime Minister favored moderation, a policy bitterly resented by Catholic Popular Action.

The dispute reached a crisis on March 28, when, after pardoning twenty persons, the entire Cabinet resigned. For a moment the situation looked serious. Even Catholic Popular Action, with its large majority, was not prepared to take over the government. Gil Robles, its able young leader, is anxious to build up nation-wide support before accepting the responsibility of directing the affairs of the republic. Until now he has imposed a compromise program on his party followers in the Cortes, but he is finding it increasingly difficult to hold them in line. At the same time he recognizes that to take up the reins of the government prematurely would be a serious mistake.

Despite the assumption that the final control of the government would be by Catholic Popular Action, President Zamora on March 30 asked Lerroux once again to form a Ministry, and on April 3 the members of the new Cabinet were announced. This time Catholic Popular Action was not represented, and Gil Robles, its leader, promptly expressed his indignation. It was therefore not likely that the party would tolerate the Ministry beyond the parliamentary suspension period of thirty days. The Right, however, was not at all anxious to have the treatment of the political prisoners develop into a serious issue on the eve of the municipal elections in April. Four years ago the municipal elections led to the flight of Alfonso and the establishment of the republic.

The general nervousness in Spain is attested by the prolongation of martial law in nine of the thirteen Provinces. Since all serious danger from further uprising has been supressed, the Opposition claims that continuation of martial law clearly signifies the intention of those in power to set up a dictatorship. Against this possibility it is gathering its badly shattered forces, and revolutionary activities again are afoot. According to *La Epoca,* funds are being furnished by the Red International and other foreign organizations.

Unfortunately, the Catalan question also threatens to become serious again. The prompt and effective suppression of the revolt in October was followed by a ruthlessness that estranged even the Lliga, or Catalan Rightist party. Catalan autonomy is close to the hearts of all Catalans, and on that question the Lliga is forced to make common cause with the Esquerra, most of whose leaders are in prison or exile. Protests against the withdrawal of Catalan autonomy, which was guaranteed by the Constitution, increased greatly during March, stimulated in part by the transfer of the administration of justice and of education to Madrid. Unless the government can work out a compromise, Catalan home-rule will have to be fought all over again.

The appeal of Marceliono Domingo, a Radical-Socialist and former member of the Azaña Cabinet, to all Catalan Leftist groups to unite, has met with unexpected response. But Catholic Popular Action, which dominates the present Cortes, is hostile to the restoration of Catalan State rights, just as the majority of its members have writhed under Gil Robles's policy of cooperation with Lerroux's freethinking Radicals. During the month they directed a determined attack upon Jiminez Fernandez, the Minister of Agriculture and one of their own Cabinet members, for his land act

favoring peasant proprietorship. Its provisions for breaking up of some of the larger estates and the purchase by tenant farmers of the land they cultivate are, it is claimed, too Socialistic.

Economic conditions have not improved and there is talk of abandoning the gold bloc. Exports have fallen from 742,313,671 pesetas in 1932 to 612,511,036 pesetas in 1934. Imports for the period also declined from 975,711,628 pesetas in 1932 to 860,824,079 in 1934. There is therefore not only a decidedly unfavorable trade balance of 148,349,043 pesetas for 1934 (the peseta is worth about 13 cents) but a considerable increase in imports over those of the previous year. Unfortunately, too, the increase in imports did not come in raw materials for manufacturing purposes and is therefore not an index of increased industrial activity. Exports of agricultural and mineral products have also fallen off. In view of this situation, the departure of the French trade commission on March 6 without reaching an agreement for a commercial treaty was most unfortunate. In the meantime, negotiations in Washington for a Spanish-American trade agreement slowed up.

The financial situation is also serious. In a speech on the immediate need of political and economic reforms, Gil Robles pointed out that the budgetary deficit would reach 600,000,000 pesetas despite the crushing taxes upon agriculture, industry and commerce. In order to enlist the employment of idle capital in a revival of industry and agriculture he urged a lowering of the interest rate and an extensive program of public works. The plan, he declared, would also contribute toward the solution of the unemployment problem, which is becoming more and more serious, there being more than 700,000 out of work. As a means for better planning and for coordinating economic recovery he proposed a National Economic Council, consisting of representatives of both employers and workingmen.

Plans for a more extensive program of social insurance have progressed materially. The Retired Workmen's Law of 1921, under which about 5,000,000 retired workers get a small pension, is to be superseded by a new measure, submitted by the National Institute for the Protection of Old Age, by which insurance will be provided against old age, sickness and invalidity for all workers whose wages are under 6,000 pesetas a year.

CHANGES IN PORTUGAL

During recent months the reorganization of the Portuguese Government has been carried out along the lines of the Constitution endorsed by the plebiscite of March, 1933. On Jan. 11, the National Assembly and the Corporative Chambers met to organize and appoint committees for the annual session, which is limited to three months. A month later, on Feb. 17, President Carmona, who became Dictator-President in 1928, was re-elected President of the Republic for another term of seven years. According to the press, the polling places were crowded, an unusually large percentage of the electorate turning out to vote. His election, of course, was a foregone conclusion because there was no other candidate, just as there was no political party except the National Union.

The President is assisted by a Council of State consisting of ten—the Prime Minister, the Presidents of the two chambers, the Chief Justice, the Solicitor General and five others appointed by himself. The Executive has extensive powers; governmental policies, and even the legislative program, emanate from the Council of State,

though the National Assembly may initiate measures. According to the official journal, the making of the laws, their interpretation, suspension or abrogation are now also prerogatives of the Assembly. The President may dissolve the Assembly in cases of emergencies, but a new election must be held within sixty days. Its consent is necessary for government loans and for the declaration of war in case arbitration has failed. It may even override a Presidential veto by a two-thirds vote. Debate in the National Assembly on proposals for legislation is definitely limited.

The Corporative Chamber, which represents occupational groups—farmers, industrial workers, fishermen, and professional men—is interested more especially in economic and social matters, but it also reviews other legislation, submitting reports of its opinion. Among the first measures to come before the National Assembly was a project for modification of certain articles of the Constitution. Others have to do with social welfare, the organization of a Council of National Defense, economic reconstruction and the reorganization of the colonial empire.

End of the Greek Revolt

By FREDERIC A. OGG

THE astonishing twelve-day civil war in Greece—precipitated, in the contemptuous phrase of General Kondylis, by the senile insanity of Venizelos—ended abruptly on March 11. For a week after the first outbreak, the Tsaldaris government seemed almost helpless. An insurgent fleet sailed the Aegean with impunity; Crete went over to the rebels; Mytilene, Samos and Chios followed suit; rebellion swept Macedonia and Thrace. But under the energetic and capable leadership of General Kondylis, the War Minister, a concerted large-scale movement against the rebels was prepared. Once the advance started, full victory was achieved with almost incredible speed.

The main theatre of action centred about the Struma River, in Macedonia. Here, on March 10, loyalist infantry and cavalry advanced in three columns, through flooded country, sweeping the rebel forces before them. The next day the rebel retreat became a rout. With but little artillery, and without a single airplane, the insurgents could make no effective resistance. Concluding that all was lost, General Kamenos, the rebel leader, and some fifteen staff officers crossed the Bulgarian frontier, where they were interned. Their demoralized followers, ragged, half-famished and disillusioned, surrendered without further resistance. Rebel ships were abandoned to the loyalists, while in the islands officers fled, leaving their men to the mercy of the government.

Final acknowledgment of failure came on March 12 when the cruiser Averov, bearing Venizelos, his wife and several of the ex-Premier's military and political followers and their families, slipped out of the waters of Canea Harbor and steamed for the Dodecanese. "Our revolt was just," declared the aged statesman in a last-minute interview, "but I did not want

it. Now I am going to retire from political life, and I am firmly decided never more to return to my country." A proclamation to his fellow-Cretans thanked them for their support and counseled them to surrender to the government in order to avert further bloodshed. From Athens it was reported soon after that seven mansions and farms and a villa belong to Venizelos and his sons, valued at about $5,000,000 and including a library worth $100,000, had been earmarked for forfeiture to the State.

The rebellion crushed, interest shifted to the treatment to be meted out to those who had participated in it. Some, to be sure, had found safety in foreign countries, but scores were held as prisoners. In addition, thousands of ordinary soldiers and sailors, who had been duped or coerced into serving in the insurgent ranks, were under arrest. Many Greeks and foreigners alike feared that if heavy penalties were enacted another revolt would be provoked.

When Premier Tsaldaris asserted that "punishment must be such that no one else will dare to break the nation's laws," apprehension was aroused and was hardly allayed by the court-martial proceedings which began at Saloniki the day after the government's Macedonian victory. The readiness, however, with which the disaffected areas, both in the islands and on the mainland, returned to their former allegiance, and the general opinion that the common soldiery had been misled by a few generals and politicians, argued for mild punishments. By the end of March it appeared that not more than 500 military leaders would be disciplined. Steps to extradite General Kamenos and his companions from Bulgaria were started as early as March 12, and with some prospect of success, in view of the charge that they were not mere political refugees but had been guilty of looting a national bank at Seres in the course of the Macedonian campaign.

The affair naturally had political repercussions. All important supporters of Venizelos were ousted from office; the Venizelist group of 113 Deputies in Parliament was left leaderless, and the once powerful Liberal party faced disintegration. The determination to sweep Venizelos from the governmental system as completely as exile and confiscation of his property had swept him and his family from Greek soil was expressed in a decree of March 21 abolishing the Senate—for no reason except that it was created by Venizelos in 1928 and that the present government had never controlled it.

The fear that General Kondylis, who was given most of the credit for crushing the rebellion, would use his new-won popularity to launch a Fascist régime was lessened by statements in which he declared his loyalty to the existing constitutional order. The General, to be sure, has led a faction known to contain monarchist sympathizers, but his own past is uncompromisingly Republican, and the completeness of his triumph over the rival Republican Venizelos-Plastiras group seemed to remove any possible temptation to swing toward a monarchist restoration or a militarist dictatorship.

In order to permit Premier Tsaldaris to reorganize his administration if he so desired, the Cabinet, with the exception of General Kondylis and John Metaxas, Minister without portfolio, resigned on March 16. The reconstituted government showed no significant changes. Shortly afterward General Metaxas resigned in protest against the government's leni-

ency toward the rebel rank and file. On March 23, General Kondylis was named Deputy Premier, and a week later the Chamber voted Premier Tsaldaris full right to continue to govern by decree until a "grand parliament," to be elected within a few months, should have revised the Constitution.

DICTATORSHIP IN POLAND

The Polish Sejm, after a stormy all-day debate, on March 23 accepted by a vote of 260 to 139 the Senate's amendments to the constitutional-reform bill originally voted by the lower house in January, 1934. The new Constitution will go into effect in the early Summer after it has been published in the official gazette, and after a new electoral law has been adopted.

The outstanding feature of the new Constitution is the greatly increased power given to the President of the Republic, who henceforth will name a third of the members of the Senate, decide independently on war and peace, negotiate and ratify treaties, dissolve Parliament at will, and nominate one of two candidates to succeed himself. Supporters of the change assert that it provides for an "efficient democracy" by enabling the Executive to carry on the work of government unhampered by "a demoralized parliamentarism." Opponents thus find no difficulty in arguing that the new régime will merely intensify the existing dictatorship and that Parliament has virtually signed its own death warrant.

THE VOTING IN DANZIG

The elections to the Danzig Volkstag on April 7, stirred deep interest in Poland, not only because for the first time a united Polish ticket was offered to the voters of the Free State, but because of a strong suspicion that the Germans were bent upon capturing full control preliminary to the ultimate return of the area to the Reich. That an election should have been held at all was regarded with suspicion. The new President of the Senate, Captain Gresier, was an ardent supporter of Hitler. He already was in full control of Free City affairs, with a comfortable majority in the Volkstag, and had every prospect of retaining for years his authority against the disunited and weak opposition of Catholics, Socialists and Nationalists.

Preliminary reports of the balloting showed that the National Socialists failed by a narrow margin to obtain the two-thirds majority which is necessary for their ends, and that the Polish party, while it remained far behind the Nazis, Socialists, Catholics and Nationalists, was able to register a gain of about 20 per cent.

HUNGARY'S ELECTION

A hasty reconstruction of the Hungarian Cabinet on March 4 and an unexpected dissolution of Parliament next day served as a prelude to a national election campaign. The new Chamber was scheduled to meet on April 27. Despite repeated promises from Premier Goemboes, the old electoral law, with oral voting in the rural constituencies, remained in force. The prohibition of political meetings, which a former government imposed, was revoked, however, and the contest was waged with vigor, not only by the government party but by the Socialists and other opposition elements.

Informed circles interpreted the dissolution and election as proof that Premier Goemboes was determined to push through his program of moderate reform. Conservatives, led by former Premier Bethlen and supported by capitalists and the great land-owners, opposed the reforms. A more rad-

ical movement, which seeks drastic social, economic and political changes, and in particular the overthrow of a system that permits 1,500 people to own one-third of the arable land of the country, has found leadership in Tibor Eckhardt, chief of the Small Farmers party. Before the dissolution of Parliament the opposing views of Bethlen and Eckhardt had led to the most bitter political struggle Hungary has seen since the overthrow of communism fifteen years ago.

From the beginning of his Premiership, Goemboes has been under Bethlen's tutelage. The party in Parliament upon which he depended mainly for support was actually a Bethlen organization, and the Premier could adopt no significant policy of which Bethlen disapproved. Though irksome, the situation was endured so long as there was hope that Bethlen could be induced to agree to moderate reforms. But popular demand for changes, especially in the land system, grew so insistent that the harassed Goemboes finally decided to bring matters to an issue. The dissolution of Parliament and the launching of a reform campaign were steps in this direction. Whether, in the event of victory, Goemboes would, as many expected, move boldly in the direction of fascism, remained to be disclosed. In a statement issued on March 29, Bethlen predicted such an eventuality and condemned Goemboes's entire policy.

YUGOSLAV AFFAIRS

When writs were issued in February for the election of a new Yugoslav Parliament on May 5, it was believed that the elections would mark the beginning of a new epoch in the political life of the country. The Yeftitch Ministry, which came into office on Dec. 21, 1934, broke the tradition which placed only members of the National party in the Cabinet and drew upon several representatives of the former Opposition. Thus there seemed evidence that the basis of government was to be broadened and a new spirit introduced into party politics.

Such assumptions proved premature. On Feb. 28 the Premier declared in an electoral manifesto that no return to the party system as it existed before the dictatorship could be tolerated. He insisted that at all costs the existing order of things must be maintained. If this meant anything, it was that the Premier's government was determined not to relinquish its power and that any generous gestures to the Croats were not to be construed as substantial or permanent concessions.

With a view to fortifying and stabilizing its own position, and certainly as a measure toward a State-directed economy, the Yeftitch government in the first week of March decided to concentrate all the larger official and semi-official banking institutions of the country in the hands of its energetic Finance Minister, Dr. Milan Stoyadinovitch. For three years previously, Finance Ministers had consistently stressed "sound finance," which meant a balanced budget and a well-secured currency. Extreme economies were practiced; stringent measures were employed to collect taxes; new investments and new enterprises were scrupulously avoided. The period therefore became one of drastic deflation.

A new policy—not necessarily one of inflation, but certainly one of "easy money"—has now been adopted. The gold coverage of the dinar has been reduced; interest rates have been lowered, and facilities for borrowing have been enlarged. The word has gone forth that, at all hazards, money must be put to work. Private business

is to be stimulated; cooperation between the State (especially as represented by the Finance Minister, who sits with the moneybags at his disposal) and its more enterprising and venturesome citizens is to be given new meaning. Merchants, industrialists and bankers have applauded, but peasants and members of cooperatives are suspicious, the more so since peasant debts will not be further reduced.

Count Campalto, Italian Minister to Yugoslavia, is understood to have put forward concrete proposals, including the following: (1) A new Italo-Yugoslav treaty of friendship and security; (2) a new commercial treaty giving Yugoslavia a large contingent allowance for imports of cattle, poultry and minerals in return for an increase in Italian textiles and machines imported into Yugoslavia; (3) a Yugoslav treaty of friendship with Albania, recognizing Italy's interest in that country; (4) Yugoslav recognition and guarantee of the present situation in Austria; (5) Italy to use her influence to persuade Hungary to drop her demands for treaty revision, make economic agreements with the Little Entente, and join the proposed pact guaranteeing Austrian independence. It was reported on March 20 that Premier Yeftitch would go to Rome in April to sign a commercial treaty as the first step toward the proposed political agreement.

PARTY SHIFTS IN RUMANIA

In no country of Central or Southeastern Europe do political parties show more vigor than in Rumania. King Carol, to be sure, wields almost unlimited personal power, but he finds it easier to rule with the assistance of submissive parties than to oppose them. The past two months have witnessed some developments that fit these conclusions.

Two well-known groups, the New Liberals under George Bratianu and the People's party, led by Marshal Alexander Averescu, have combined and have been working out a new program and plan of action. Ostensibly they are opposed to the personal régime, yet they are unlikely to give the King any real trouble. The transformation that has come over the National Peasant party, one of the two largest in the country, is more significant. For years it has been led and dominated by the nation's most distinguished politician, Dr. Julius Maniu, who in later times made it suspect because of his personal hostility toward the King. Dr. Maniu has now been forced into isolation; the ranks of the party have been purged of anti-Carol members, and the organization has come out as a completely loyal and unconditionally monarchist vehicle of government, rivaling the Liberals themselves in patriotism and nationalism. A thoroughly revised party platform shows distinct Fascist tendencies. Since the old conservative Liberal party is remaining liberal in its economic theories, it is not too much to say that the Right is now in the middle and the Left has gone over to the Right.

The Memel Treason Verdict

By RALPH THOMPSON

AFTER more than three months of testimony and counter-testimony, the great Memel treason trial came to an end on March 26 with a verdict that surprised nobody. Four of the seven men charged with the murder of George Jesutis, so-called Nazi traitor, were condemned to die. Two accused of another murder were given life imprisonment. Herr Neumann and Pastor von Sass, leaders of the rival Nazi groups in Memel, were, with several others, given prison terms ranging from eight to twelve years, and their belongings were confiscated. Some seventy persons received jail sentences from six years downward. Between thirty and forty were acquitted.

Apart from inflaming the German public in both Memel and the Reich (as discussed elsewhere in this magazine) the verdict of the Lithuanian court-martial aroused many impartial observers. The trial itself was said to have been conducted with "tolerable fairness," and there is little question that the accused as a group would have been delighted to wrest Memel from its present "autonomy" and return it to the Reich. But there is also no question that in the past year Lithuania has violated both the spirit and the letter of the Memel Statute, and that her measures against a German coup d'état exceeded the bounds of international propriety.

Whether Germans were, as the prosecution insisted, about to overwhelm the territory will probably never be known. The only arms that authorities could discover were some 200 revolvers and a few dozen rifles —and some of these belonged to foresters and other licensed officials.

NORWAY'S LABOR CABINET

The Liberal Cabinet of J. L. Mowinckel, which despite minority representation in the Norwegian Storting had held power since March, 1933, resigned on March 15. The following day Johann Nygaardsvold, Labor leader and Speaker of the Upper Chamber of the Storting, succeeded in forming a government, and for the second time in history Norway had a Labor Cabinet.

Ever since Labor swept the parliamentary elections of October, 1933, the Mowinckel government had been in a dangerous position, for the Labor-Agrarian coalition commanded 92 of the 150 seats in the Storting. But the crucial moment did not arrive until, in connection with the budget for the fiscal year 1935-36, the government asked for a vote of confidence on its stand against increased taxes. This was refused by a vote of 94 to 55, and the Premier handed his resignation to the King.

What policy the new Cabinet will pursue is as yet unreported, although Premier Nygaardsvold on March 21 told the Storting that he would keep the budget balanced and avoid tinkering with the currency. But as the party he represents is the most advanced Labor party in Western Europe, it is expected that fundamental changes will be undertaken, even if

they be more moderate than those attempted by the Labor Cabinet of 1928, which lasted only two weeks.

SWEDISH ARMS LAW

A bill prohibiting the manufacture of armaments except by Swedish companies and providing for strict State supervision of all private factories was passed by the lower house of the Riksdag during March, and subsequently accepted in principle by the upper house. Documents accompanying the bill upon its introduction on Feb. 16 showed that more than three-quarters of the war materials produced in Sweden between 1927 and 1931 had come from private factories, and that exports of such materials had risen greatly during 1932 and 1933. One virtue of the new measure is that it will put to rest the rumors that certain Swedish arms factories are but thinly disguised branches of the great German firm of Krupp.

As this bill was being considered in the Riksdag, the Swedish Council of State approved a measure extending the term of army service from three months to six months, and on April 2 Foreign Minister Sandler met in Copenhagen with the Foreign Ministers of Norway and Denmark to determine the Scandinavian attitude toward German rearmament. Thus even the cautious and socially minded States of Scandinavia have been alarmed by the threat of war that hangs over Europe.

ESTONIAN DICTATORSHIP

Politics were greatly simplified in Estonia on March 6 when Karl Einbund, Minister of the Interior and one of the triumvirate that rules the country, abolished all political parties and placed a ban upon all meetings, speeches and newspaper stories of a political character. After a year of non-constitutional control the dictatorship found it necessary to take yet another step to "liberate citizens from party strife." As a substitute for the former variety, Estonians were given on March 9 a new organization called the Fatherland party, which is now the sole recognized political body and the only party in the country.

The British Go to Moscow

By ALZADA COMSTOCK

RELATIONS between Great Britain and Soviet Russia were put on a firmer footing at the end of March when Anthony Eden, British Lord Privy Seal, and Soviet leaders agreed that the two powers should cooperate in a general scheme for the collective organization of peace and security. A joint communiqué to this effect was issued at the conclusion of Mr. Eden's visit to Moscow on March 31.

Soviet and foreign press alike recorded in detail every incident of Mr. Eden's visit, including even the fact that when he lunched at Foreign Commissar Litvinov's country place, some thirty miles from Moscow, the rosettes of butter on the table bore the inscription: "Peace is indivisible." It was reported that Stalin found the British diplomat "honest, direct and clear-sighted."

In the communiqué itself it was stated that Mr. Eden and Stalin, Pre-

mier Molotov and Litvinov were of the opinion that it was more than ever necessary to build up a system of collective security in Europe, as contemplated in the Anglo-French communiqué of Feb. 3 and in conformity with the principles of the League of Nations. It was emphasized, however, that the organization of security in Eastern Europe and the proposed pact of mutual assistance did not aim at the isolation or encirclement of any State, but at the creation of equal security for all. The participation of Germany and Poland would therefore be welcomed.

As for the immediate results of the agreement, too much was not to be expected. Obviously Great Britain could not participate at once in a guarantee of the peace of Eastern Europe; for one thing, British opinion would not support it. But it was evident that the British Government had abandoned its position of merely refraining from opposition to an "Eastern Locarno" and had registered its approval in principle. Shortly after Mr. Eden's departure *Izvestia* declared that "the beginning of a serious rapprochement between Great Britain and the Soviet Union" had been achieved, because each country was now convinced that the other was vitally concerned in the preservation of world peace.

To a world troubled with rumors of wars the reports of Mr. Eden's work in the Soviet Union brought a sense of relief that was all the keener because of the long series of misunderstandings between Great Britain and Soviet Russia. Great Britain did not recognize the Soviet régime until 1924. Relations were broken off three years later because of allegedly propagandist documents seized in a raid on the Soviet trade delegation's offices in London. Relations were resumed in 1929, but in 1933 there came another interruption because of the trial of British engineers in Russia on charges of sabotage. In 1934 a new trade agreement was signed, and relations became smoother. The tone of the communiqué of March 31 appeared to represent a real rapprochement.

It was thought that one concrete result of the understanding might be an extension of trade in the near future. Although Mr. Eden made it clear from the beginning that he could make no definite commitments on behalf of Great Britain, he was said to have indicated that he would do his best to facilitate trade between the two countries by advocating the extension of larger credits; and in return, it was rumored that the Soviet Government had hinted at its willingness to increase its orders for British manufactured goods. Great Britain already occupied first place in supplying manufactured goods to the Soviet Union, according to the trade figures for the first ten months of 1934, while the total of Soviet purchases in Great Britain for 1934 was reported to be almost double that of 1933.

Healthy as the state of Anglo-Soviet trade now is with respect to volume, the situation has its difficulties, for British importers of Soviet timber have again run foul of the Ottawa agreements. Canada has steadily opposed the purchase of Russian timber by Great Britain as a violation of the agreement made at Ottawa and has made representations to the British Government in regard to this year's contracts for Russian lumber. As a result, the British Government has informed the Soviet authorities that the large timber contracts of the current year would probably be inoperative. The *London Economist* remarks: "So negotiations have now got to be started all over again. Is this

another of the strange fruits of Ottawa?"

There has been trouble also over British oil imports from Soviet Russia. Scottish naphtha producers have protested a large contract given to Russian Oil Products, Ltd., at a low price, on the ground that shale workers in Scotland are busy only three weeks out of four, and that the preference given to Soviet producers is at the cost of gross neglect of home industry.

Soviet trade relations with the United States, which went into a decline on the failure of the debt negotiations and the State Department's announcement in February that reductions were to be made in the American diplomatic establishment in Soviet Russia, show almost no sign of improvement. At the moment the Washington-Moscow deadlock seems complete. There is evidence, however, that hope has not completely died in Moscow. Early in March an article appeared in the newspaper *Za Industrializatsiu* (For Industrialization), the organ of the People's Commissariat for Heavy Industry, suggesting that one of the reciprocal trade agreements which the United States is now actively engaged in making with various countries should be concluded with the Soviet Union. The article included the usual criticism of the United States for raising high tariff barriers and preventing payment for debts in goods.

Soviet-American trade figures reflect the deadlock. Although French and British sales to Russia increased considerably in 1934, American exports to the Soviet Union increased only slightly. The situation of American cotton exports is particularly gloomy. Soviet Russia, which was formerly an importer of American cotton, has now become a cotton exporter. It is estimated that the country will produce from 1,250,000 to 1,500,000 tons of ginned cotton this year, enough to cover its own needs and leave from 250,000 to 500,000 tons for export. It is possible that Soviet Russia will divert a part of Germany's cotton purchases from the United States to herself.

Hitler's announcement that Germany would rearm produced an outburst of patriotic sentiment in Soviet Russia that was in striking contrast to the derision with which patriotism was treated not so many years ago when internationalism alone could be extolled. "Soviet patriotism burns in our country like a flame," said *Pravda,* the organ of the Communist party.

Simultaneously, on March 19, it was announced that the government had undertaken a new drive against subversive elements within the country, and that it had arrested 1,074 persons, remnants of the former aristocracy and bourgeoisie. The persons arrested, some of whom were to be tried for activities against the Soviet State and in the interest of foreign powers, were to be exiled to the Eastern regions of the Soviet Union. A few days later *Pravda* issued an appeal for increased vigilance against "enemies acting under the direction of foreign secret service departments," who, it declared, had been penetrating into responsible Soviet positions. The paper did not specify the foreign governments supposed to be involved, but pointed directly at some of the suspected persons.

Such espionage crises are not uncommon in Soviet Russia. They usually occur just after some real or suspected gesture of unfriendliness on the part of a foreign power, or after a domestic agitation has been discovered and eliminated. In the present instance both factors were present. The

German announcement of conscription came before the country had forgotten the assassination of Sergei Kirov last Winter, an event that produced its own arrests and executions.

At about the same time the Soviet Government's attack on the remnants of the Trotskyist opposition was renewed. The executive committee of the bar association of the western province was dissolved on the ground that it had admitted to its membership Trotsky and Zinoviev sympathizers. Members of the committee were held on various charges, including the persecution of young lawyers loyal to the government, invitations to former kulaks to become members and maladministration of funds.

Stalin's endorsement of a certain amount of individualism on the collective farms, made public on March 12, is a step that Western observers have frequently prophesied. In answer to a group of delegates to the recent Farm Congress who urged the reduction of the individual holdings of farmers, Stalin said that individual needs on Soviet farms must be respected. He declared that it was better to admit openly and honestly that there should be private housekeeping on collective farms—small but private. The delegation was reminded that it represented a minority point of view and that if they really wanted the whole agricultural program to succeed they must think not only in terms of the collective but also in terms of the individual interests of the farmers. This statement of policy followed close upon a similar one in February, when it was decided to grant peasants on collective farms a larger allowance of cattle and land for private use. Like nearly all such changes in the Soviet agricultural program, these steps represent only slight modifications in practical policy rather than changes in fundamental principle.

Arab King Escapes Assassins

By ROBERT L. BAKER

IBN SAUD, King of Saudi Arabia, narrowly escaped death at the hands of Yemenite assassins on March 15. With his eldest son, the Emir Saud, he was circumambulating the Kaaba shrine in Mecca seven times in celebration of the Moslem festival of sacrifice when he was attacked by three men armed with daggers. While the Emir Saud grappled with the leader the King's alert bodyguard killed the would-be regicides. Ibn Saud and the Crown Prince then proceeded to finish their ritual walk.

The motive behind the attempted assassination seems to have been revenge, as the conspirators were Zeidis, or followers of the Imam Yahia of Yemen, who was defeated by Ibn Saud in the short war last Summer. Investigation also disclosed that they had been in correspondence with a Yemeni official. Although the Saudian Government did not say that the attempt was officially inspired, it sent a note to the Imam asking that further inquiry into the plot be made at Sana and that the other conspirators be punished.

Meanwhile, the sensibilities of the

devout at Mecca had been outraged by the shedding of blood on such sacred ground, notwithstanding the circumstances. The Kaaba, a cube-shaped structure in the midst of a mosque, is the holiest of Islam's many shrines, because it houses the Black Stone that Mohammedans believe was given to Abraham by the Angel Gabriel. In order to atone for the sacrilege, the Moslem officials ordered prolonged rites of purification.

Pilgrims from Syria, Iraq and Persia will soon be able to go by bus to Mecca. The service is to be from Nejef on the Euphrates, which is accessible by rail from Baghdad, across 650 miles of the Great Nefud Desert to Medina, which is already connected with Mecca by bus. Moslems making the pilgrimage from the north are now obliged to take a long and expensive sea voyage. From Basra, for example, the trip through the Persian Gulf, around Arabia, up the Red Sea to Jidda and Mecca and return takes at least a month.

It was announced in Mecca on Feb. 18 that Ibn Saud had determined to create a regular air force and would soon send eighty Arab youths to Italy for training as pilots and mechanics.

TURKISH ARMAMENT

Turkey's anxiety over the ominous state of affairs in Europe is reflected in the new budget adopted by the Grand National Assembly in March. The appropriation for national defense, which remained stable for several years at about 40,000,000 Turkish pounds, was increased last year because of Premier Mussolini's announcement that Italy must expand her interests in Asia. For the year 1935-36 there will be still another increase, the total allocated for army, navy, air force and military factories being 66,947,062 Turkish pounds (about $53,600,000 at the current rate of exchange). The budget of 194,882,727 Turkish pounds is some 10,000,000 pounds greater than the last, and is the largest since that of 1930-31.

The Greek Orthodox Patriarch Fotios has immured himself in his palace at Istanbul, vowing not to break his seclusion until the Turkish Government rescinds its recent law compelling the Orthodox clergy, along with that of other sects, to abandon clerical garb when outside their churches. This step is considered drastic, but much less so than his original intention to resign with thirteen of his coadjutor bishops and convert his patriarchal palace into a monastery with himself as abbot. It is rumored that if the Turks do not give in Fotios will transfer his patriarchate to Salonika, where it would be under sympathetic Greek rule. Tradition alone, it appears, holds it at Istanbul, as, according to the last census, there were only 109,000 members of the Greek Orthodox faith left in Turkey.

Experiments in coffee-growing in Southern Asia Minor have proved successful, and the Turkish Government has decided to encourage new plantations in the hope that the country will produce all its own requirements within a few years. At present nearly all Turkey's coffee is imported from Brazil under a barter arrangement.

EGYPTIAN LABOR AND POLITICS

The Egyptian Wafd, or Nationalist, party has entered upon a period of energetic activity that promises a return to the heated domestic politics of the Twenties. In January, a party congress in Cairo was attended by about 30,000 delegates and supporters of both sexes, and evidence was shown of improved organization and discipline. Early in February the party's general staff took the bold step of ap-

pointing a "higher council" to direct the policies of the Egyptian Federation of Labor Unions, a young organization that has grown rapidly to a membership of 300,000. The "higher council" was composed, of course, of Wafdist politicians and the whole scheme was intended to bring the federation under party influence. But the leaders of the federation at a council meeting on Feb. 19 declared that the labor movement must be kept clear of politics and passed resolutions excluding all but genuine workmen from the control of the federation.

At present Egypt has no legislation defining the functions of labor unions, but in view of the Wafdist move it is expected that the government will take steps to protect them from being exploited for political purposes.

A student strike at the University of Al Azhar in Cairo, which was caused by a somewhat precipitate raising of standards, resulted in a number of clashes between students and police during February and early March. A rumor spread that the government would deprive the students of their immunity from military service if they did not return to classes, and on March 24 they returned, though none of their demands had been met.

In view of King Fuad's chronic illness, rumors of a regency are ever-present. If the post should be created, it is generally believed that it will go to the present Premier, Nessim Pasha.

IRAQ'S TROUBLES

Cabinet crises, a tribal uprising and floods on the Tigris disturbed Iraq during February and March, while the country was still celebrating the completion of the pipe-line from the Mosul oil field to the Mediterranean.

Cabinet crises are common in Iraq, mainly because political parties are poorly developed and lack stability. The influence of a clique or the disaffection of certain tribes can bring about the downfall of a Cabinet, even though it has an overwhelming majority in the Chamber of Deputies. This was the case when Prime Minister Ali Jawdat Beg resigned on Feb. 24. Tribesmen in the Middle Euphrates district were even less pleased with Jamil Bey al Midfai, his successor and also his predecessor. Two prominent sheikhs led their tribes into open revolt in the middle of March and seized bridges and canals. The Cabinet at once divided on the course to pursue, one faction favoring a punitive expedition and the other a policy of conciliation. Resignation followed on March 16, Jamil's Cabinet having served but twelve days. Next day General Yashin Pasha el Hashimi, a strong Nationalist and Premier under the late King Feisal, took office. His Cabinet contains three former Premiers, but neither Jawdat nor Jamil. Iraq, in fact, has almost as many former Premiers as France, and they appear just as incapable as the French of rallying their nation for any length of time.

Although troops were dispatched to the disaffected region, the tribes were persuaded to return to their normal occupations without the use of force.

Spring floods on the Tigris during the first week of March threatened for a time to inundate Baghdad, and at an emergency meeting of the Cabinet it was proposed to cut the restraining dikes about twenty miles above the city. Before a decision was made the Tigris itself broke through its banks a few miles below the proposed artificial outlet. The strain on Baghdad was at once relieved and little harm was done as the surplus waters flowed over a district that is mainly desert. By March 7 the river had subsided well below the danger level.

The Sale of the Chinese Eastern

By GROVER CLARK

CZARIST Russia made her first definite move toward the domination of Manchuria when, in 1896, she signed the original Chinese Eastern Railway agreement. Then Japan, by defeating Russia in 1905, established herself in South Manchuria and began the steady drive to increase her interests and lessen Russia's in this potentially rich northeastern part of China. Now Soviet Russia has left Japan in complete and undisputed control, with the signing, in Tokyo on March 23, 1935, of a series of documents transferring to Manchukuo the Russian interests in the Chinese Eastern Railway. The transfer of ownership was completed when the Manchukuoan Minister to Japan handed to the Russian Ambassador a check for 23,333,333 yen as the first of the six instalments on the cash payments to be made for the line.

Manchukuo pays 140,000,000 yen (about $40,000,000 at present exchange), with another 30,000,000 yen as retirement allowances for the Soviet employes of the line. The payments are to be spread over three years; one-third of the purchase price is payable in cash, the rest in goods. A mediation board, consisting of one representative each appointed by the Russian, Japanese and Manchukuoan Governments, is to be created to settle disputes. Japan guarantees that Manchukuo will make the payments, in money as well as in goods, "in view of the close relations existing between Japan and Manchukuo."

With this transfer of ownership, the line becomes part of the Manchurian railway system which is operated by the Japanese South Manchuria Railway Company on behalf of the Manchukuo Government. The name is changed to the North Manchuria Railway. Preparations for taking over the operation of the line had been made well in advance and the formal transfer from Russian to Japanese management took place immediately after the signing of the sale agreements.

China has refused to acknowledge the validity of the sale. She filed her latest formal protest, on March 16, in an identic note addressed to the United States, Great Britain, Japan, Russia, France, Italy, the Netherlands, Portugal and Belgium, which declared that "although the formal signing of the Chinese Eastern Railway transfer agreement is slated for March 22, China continues to reserve its rights and interests in the road, despite its illegal sale." China is refusing also to relinquish her control of a valuable river frontage property at Shanghai which belonged to the Chinese Eastern Railway. This is being held as part of the assets of the Russo-Asiatic Bank, the agency through which the construction and operation of the Chinese Eastern Railway was financed until diplomatic relations were established between China and Soviet Russia in 1924. Since then the bank has been in process of liquidation.

The French Ambassador to Japan also entered a caveat in connection with the sale immediately after its completion by delivering a note to the Tokyo government reserving the right

to put in claims on behalf of French investors in the railway. Most of the actual money for the original construction of the Chinese Eastern Railway and for covering earlier operating deficits came from French sources through the Russo-Chinese Bank (which later became the Russo-Asiatic Bank). But the original C. E. R. agreement specified that no one but Chinese and Russians could hold stock in the railway, and the French money went, technically, as advances to the Russian Government and not to the Russo-Chinese Bank or the Chinese Eastern Railway. On this ground, both Russia and China persistently have denied the validity of any French claims to an interest in the line. Presumably Russia holds to this position.

The railway sale agreements contained no specific statement that Soviet Russia extended diplomatic recognition to Manchukuo. The signing of the documents and the acceptance of Manchukuo's check will, however, doubtless be interpreted by Japanese and Manchukuoan authorities as de facto recognition, and the expectation is being expressed that de jure recognition will follow soon.

The sale, as Foreign Commissar Litvinov put it, was "a solution of one of the toughest Far Eastern problems, and at the same time an important positive factor in the development of Soviet-Japanese relations." He made this remark during a talk with Japanese correspondents on March 14. Then, after praising the spirit shown by the Japanese and Manchukuoan negotiators, he raised two questions about which there has been a good deal of discussion—a Russo-Japanese non-aggression pact, which Russia proposed in 1931 and which Japan persistently has refused to consider; demilitarization of the Manchurian-Siberian border, which Japan proposed over a year ago and Russia has refused to discuss.

Litvinov suggested that Japan and Russia might well "begin to study and discuss peacefully the question of withdrawal to definite distances of parts of the armed forces of both nations, including air forces." But he remarked that "in this connection it would seem to be very important to dispel the unfavorable impression which has been created in the U.S.S.R. by the negative position of the Japanese Government with respect to the Soviet proposal for conclusion of a non-aggression pact." In other words, Russia now suggests that she will talk about Japan's desire for demilitarization of the borders, specifically including the question of airplanes, which has been most disturbing to the Japanese, as part of the discussion of the non-aggression pact for which Russia has been asking.

Japanese authorities received this proposal as a welcome gesture, but were unwilling to be more specific until further details became available.

Now that Russia has stepped out of Manchuria and Japan has secured complete control, Japan has everything to gain and nothing to lose by an agreement with Russia that would remove, for a considerable time at least, the danger of war. She then would be free to concentrate her energies on extending her influence into China proper; she well could afford to leave Mongolia alone for the present. Russia, too, would have a freer hand in Europe if she could obtain an agreement with Japan that would materially, even if only temporarily, reduce the potential menace in Siberia. The time for either Russia or Japan to force the issue of rivalries in Manchuria was when Japan's penetration into North Manchuria brought minor clashes along the Chinese East-

ern Railway early in 1932. Russia chose then to take a passive line, and on May 2, 1933, she offered to sell the railway. The next logical step for both countries is the conclusion of a demilitarization and non-aggression pact along the lines proposed by Litvinov.

CHINESE FINANCES

Nothing definite has come of the proposal, made by Great Britain at the end of February, that an international loan be arranged for China, but the Chinese Government has made plans for getting funds for business and industrial purposes. This is to be through a domestic loan of 100,000,000 Chinese dollars (about $38,000,000). The loan was formally approved by the Central Political Council, and it was announced on March 22 that the bonds were to be issued to the subscribing syndicate of banks on April 1. Most of the money (65,000,000 Chinese dollars) is to be turned over to the Central Bank of China, the Bank of China and the Bank of Communications to enable them to help finance business concerns hit by the depression. The loan is to be repaid within ten years out of import duty receipts.

As another move to check the depression, the Chinese Government has decided to reduce or abolish export duties and end the system of interport duties on goods shipped from one port to another in China. This measure is intended to stimulate exports, with a view to reducing the present large excess of imports as well as encouraging interport trade.

In spite of all the protests from the American, British and Dutch Governments and oil companies, Manchukuo announced on March 19 that it would put the oil sales monopoly plan into effect on or about April 1. The Japanese Government on March 26 released its latest statement on the subject in the form of a reply to Great Britain's protest of last November. Japan repeated the assertion that, because Manchukuo is an independent country, it could not interfere in the oil monopoly plan. But she offered to mediate, if requested, though she could not concur in "any view put forward on the premise of non-recognition of Manchukuo." The Japanese note also argued that, since the powers had disregarded Manchukuo's request for recognition, Manchukuo was not bound by her own assurances that the Open Door would be kept open.

Meanwhile, the foreign oil companies chiefly concerned appear to be preparing to do the best they can in an awkward situation. Japanese reports have it that the two American firms — the Standard-Vacuum Company and the Texas Company—and the British Asiatic Petroleum Company have arranged with several Japanese oil concerns to open a common office under the name of the Mukden Wholesale Oil Company, which will operate under the monopoly regulations.

Japan's failure to prevent the establishment of the Manchukuo oil sales monopoly is being seized on by American cotton textile interests as good grounds for drastic action to check the rapidly rising flood of Japanese textiles entering this country. Since the beginning of 1935 American imports of Japanese cotton goods have increased very sharply; in January alone 7,000,000 yards came in as compared with 7,700,000 yards for the whole of 1934 and only 1,700,000 yards in 1933. New England textile mill owners have been particularly insistent that the American Government must stop this tide before American cotton mills are completely ruined.

THE JAPANESE BUDGET

The Okada Cabinet in Japan succeeded, on March 8, in getting through

the Diet the budget for the fiscal year beginning April 1, 1935, but its political position was so insecure that it decided to close the Diet session abruptly on March 25, even though a number of its major bills remained unpassed. The situation is one of stalemate between the Cabinet and the majority party in the Diet (the Seiyukai), for neither wishes to face a test of strength at the polls.

The new budget provides for expenditures of 2,210,000,000 yen (about $610,000,000), of which the army and the navy get unprecedentedly large amounts: 490,000,000 yen for the army (22 per cent) and 520,000,000 yen for the navy (24 per cent). A difference of something over 800,000,000 yen between anticipated receipts and these large expenditures is to be met by floating new government bonds. The expenses for Manchuria are put at approximately 180,000,000 yen.

Several of Japan's industrial and banking leaders, including the Minister of Finance, have recently expressed the view that Japan cannot hope to continue in 1935 the rapid increase of her foreign trade, which has been so striking in the last few years, because of increased tariff and quota restrictions in other countries. The financiers also are becoming increasingly worried over the probable effects on yen exchange of the large payments abroad which Japan must make this year. These include £6,000,000 of a British loan to the South Manchuria Railway which comes due at the end of December, in addition to the heavy expenses in Manchuria and the payments to cover a large excess of imports over exports in 1934 and another even larger excess expected in 1935.

Finance Minister Takahashi has issued several statements urging that all but the most necessary payments abroad, including those in Manchuria, be held back. A number of big industrial firms have been refused permission to export funds with which to retire bonds held by foreigners.

SIAM'S NEW KING

By vote of the Siamese National Assembly on March 6, the 11-year-old Prince Ananda Mahidol became King of Siam, following the abdication of his uncle, King Prajadhipok. The abdication went into effect on March 2 and the new King's reign began as from that date. The Council of Regency which is to act during King Ananda's minority is to be headed by Prince Aditya, until recently Prajadhipok's chief private secretary. The other two members will be Prince Anuvatana, one of the older members of the royal family, and Chao Phya Yamaraj, who was high in the government service until the constitutional régime was instituted in 1932.

The Siamese Government, in a statement on Prajadhipok's resignation, issued on March 8, attempted to justify its refusal to make the penal code and criminal procedure changes on which the King insisted as a condition for continuing to reign. Every effort to meet the King's wishes on various laws had been made, the statement said. Even the criminal procedure and penal laws had been altered as far as was compatible with the Constitution. The King asked that the matter be referred to the National Assembly. This had been done, and the Assembly had approved the government's course of action by a unanimous vote on Jan. 31. Due regret over Prajadhipok's abdication was expressed, and the people were assured that the government supported a constitutional monarchy.

A TRAVELER'S NOTEBOOK

GREAT was the rejoicing among the gondoliers of Venice when, on Feb. 13, the city fathers forbade the use of the Grand Canal to motor boats and steamers and required them to be painted black when used elsewhere on the city's waterways.

* * *

When King George and Queen Mary pay a ceremonial visit to the Port of London during the coming jubilee they will proceed down the Thames in the Royal Barge of State. Launched in 1687, the barge is pernaps the oldest vessel afloat. It has been used only once in this century, in 1919, during the peace celebrations.

* * *

Spain's greatest fortress in the New World was Cartagena, in Colombia, and it is said that nearly $50,000,000 was spent on its massive walls and towers. The city was founded in 1533 by Pedro de Heredia, and its palaces, churches, convents and plazas were planned by royal architects. There have been few changes and the atmosphere of old Cartagena is more Spanish than all but a few places in Spain.

* * *

According to Dr. Edgar de la Rue, a French scientist, the natives of the New Hebrides still practice cannibalism on occasion. But they do not like the flesh of white people because they smoke, and nicotine imparts an unpleasant tang to the "stew." Dr. de la Rue reports that the whites in the New Hebrides smoke constantly to persuade the fastidious natives that they would be quite unpalatable.

* * *

The tallest building in the Orient is the recently opened Park Hotel in Shanghai. It is twenty-five stories high.

* * *

Although the lily is not indigenous to Bermuda, millions of bulbs are exported annually. The industry can be traced back to the thoughtfulness of a returned missionary from Japan in bringing a few bulbs to his friend, the rector of Smith's Parish.

* * *

Fromentor, on the island of Majorca, is rapidly becoming one of the most fashionable watering places in Europe. Among the many notables who spent vacations at the resort last Summer were the Prince of Wales and former Premier Albert Sarraut of France.

* * *

The Vienna Festival, lasting throughout June, will be the most ambitious ever organized. Among the representative dramas of many nations will be Maxwell Anderson's *Queen Elizabeth*, Drinkwater's *Abraham Lincoln* and Mussolini's *Hundred Days*. Classical Greek dances, Spanish ballets, popular concerts, opera, exhibitions and a horse show will also form part of the festival.

* * *

A moving picture theatre has been installed in the Waterloo railway station in London for travelers waiting for trains.

* * *

Many European countries have reduced railway fares for the benefit of visitors staying a week or longer. In Austria, for example, the reduction amounts to 60 per cent for the round trip from the frontier and to 30 per cent on side trips. Similar rates are offered by the French railways, and round-trip tickets, permitting breaks, will be reduced by 26 per cent in England because of the jubilee celebrations.

* * *

Where did Adam live after Eden? At Damascus, according to an Arab tradition, and he was buried somewhere between Damascus and Baalbek. It is also believed that the latter city was founded by Cain after he murdered Abel and that Baalbek was the site of the Tower of Babel

* * *

In diplomatic circles in Vienna the most popular cocktail is known as the "London Pact," and is composed of French vermouth, Italian vermouth, English gin, Russian vodka (1 drop!) and mineral water.

* * *

The world's largest cannon, eighteen-inch, will soon be mounted at the new British fortress at Singapore These guns will be 59 feet long will weigh 150 tons and will fire projectiles weighing more than 3,500 pounds.

* * *

The following is a partial list of cruises scheduled for the near future:

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July 6—Olympic (Cunard-White Star), 13 days

NORTH CAPE-RUSSIA

June 28—Reliance (Hamburg-American-North German Lloyd), 42 days

June 29—Rotterdam (Holland-America), 42 days

WEST INDIES AND CARIBBEAN

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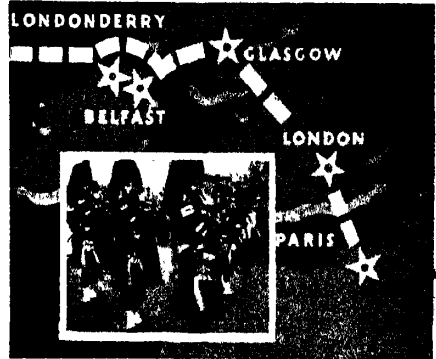
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Continued from Page VII

indeed, fight with England or Japan, but on the other hand a period of stalemate may stretch out almost to the crack of doom, humanly speaking. War in Europe, provoked by an enraged Germany, seems more likely. In the Far East, Japan has already gone to war with China, and won. The West does not recognize this because the war was disguised by a circumlocution that puts our own public relations counselors to shame. But the fact remains that Japan has wrested Manchuria from China as surely as Germany wrested Alsace-Lorraine from France in 1870.

The one ray of hope, Mr. Peffer says, is that "socialization" of industrial systems will intervene within countries before the quarrel for markets leads to international conflict This is almost tantamount to saying that civil war will come before we have international war Or at least it will come if the beneficiaries of capitalism as a going concern feel as John Hays Hammond feels.

* * *

The Autobiography of John Hays Hammond (Farrar & Rinehart, 2 volumes, $5) is the testament of one of the ruggedest of rugged individualists Mr. Hammond, in his career as mining engineer and "consultant" to men like Cecil Rhodes, believed in the Kipling credo from start to finish. His life story, which ranges from the Mexico of Diaz, the South Africa of the Jameson Raid (Mr. Hammond was condemned to hanging for his complicity in the raid, but got off), the Idaho of Big Bill Haywood's labor wars, and on to participation in Republican politics (Mr. Hammond was a fervent Taft man), is a fascinating chronicle by an unashamed Old Dealer The thinking in Mr Hammond's book does not go very deep (he is inclined to assume himself right and his opponents wrong without very much antecedent soul-searching), but it is a little late in the day to deplore the mood of the nineteenth century when it is exemplified in a man who has reached his eightieth birthday

* * *

This month's crop of books bearing on dictatorship is even more varied than the crop of previous months It includes Robert Graves's historical novel, *Claudius the God* (Smith & Haas, $3), a sequel to the author's pungent *I, Claudius;* General Hugh Johnson's *The Blue Eagle From Egg to Earth* (Doubleday, Doran, $3), Louis Fischer's *Soviet Journey* (Smith & Haas, $2 50), and Rose Macaulay's *Milton* (Harper, $2).

Mr Graves originally intended to show how Claudius, the Caesar who succeeded Caligula and preceded Nero, had played the fool as Emperor in hopes that he would thus induce

Continued on Page XVI

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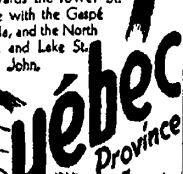
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Continued from Page XII

Romans to turn back to the brave days of the Republic. But as the book has turned out, Mr. Graves gives us a different conception of Claudius. This Claudius, who had cultivated his eccentricities in order to keep from being made Caesar, hated his job, and wished fervently that the Republic had never fallen. But the job eventually got to him; he began to justify dictatorship Mr. Graves has written a novel that is at once interesting as history imaginatively rekindled and as a parable that has its modern applications.

* * *

Mr. Fischer's *Soviet Journey* is an account of the author's travels from the Putilov works in Leningrad to the mountains of the Russian Caucasus. Mr. Fischer talked with workers, with editors, with peasants, with vacationists, and his book fulfills his hopes that it will make his reader "see, feel, taste and smell Russia." One notices a willingness on the part of Mr Fischer to be critical, which bodes well both for Mr. Fischer as an interpreter and for the future of the Communist party that will permit him to ask questions that are sometimes embarrassing

The matter of free speech, which Mr Fischer touches upon in somewhat gingerly fashion, becomes the high point of Rose Macaulay's *Milton*, which, with journalistic appositeness, came out in the midst of the furor over the possible deportation of John Strachey. Milton, who had worked with the Puritan party to overthrow King Charles, found, as Trotsky found later, that all governments can suppress liberties, and that the new master often takes on some of the tyrannical aspects of the old

* * *

General Johnson's *The Blue Eagle From Egg to Earth* was disappointing to most of its reviewers. It suffers from the delusion that General Johnson and his friends created NRA without any help from the outside world, which, of course, is palpable nonsense. If General Johnson would read the history of the British trade union and Fabian movements, the history of New Zealand's labor legislation, the books on cartelization in pre-Hitler Germany, and so on, he might come to the conclusion that NRA was merely the American way of signalizing the advent of a certain stage of capitalist development that had long ago been reached elsewhere. In America, hours were shortened, minimum wages set, prices fixed, and labor union practices determined upon, by government supervision, whereas in Europe the same things were obtained by labor agitation through labor party representation, and by rationalization of industry on the initiative of big business. Oddly enough, the European way seems the more democratic. When a labor union gets something by sheer voting strength in Parliament, it is democracy that is functioning. But when a union has to trust to the codes of a General Johnson, who was not an elected person, it seems like paternalism.

* * *

The South dominated the fiction of the month, with Hamilton Basso writing a satirical novel about the "make-believe" of American "society" at Aiken, S. C., *In Their Own Image* (Scribner, $2.50), with Berry Fleming turning his versatile hand to a "Main Street" for Alabama, *Siesta* (Harcourt, Brace, $2.50); with William Faulkner giving us a gruesome story of barnstorming aviators at a Louisiana airport, *Pylon* (Smith & Haas, $2.50), and with Elizabeth Madox Roberts's *He Sent Forth a Raven* (Viking, $2.50) acquainting us with a group of Kentucky eccentrics Although it has many mysterious aspects, Miss Roberts's novel is primarily a drama of the individual versus the collective claims of the mass While the writing in it is always sensitive, the characterizations remain shadowy and the purpose confused. *He Sent Forth a Raven* will not satisfy those Roberts readers who want another *The Time of Man*

The Faulkner story, while it introduces us to a strange race of men who live for the anodyne of speed in the air, seems like deliberate obfuscation One wonders, as one follows the careers of Mr Faulkner's people, whether Faulkner himself knows much about the men and women he chooses to dramatize

Mr Fleming and Mr Basso are more satisfying They regard words as passports, not to mystification, but to meaning.

America in 1934

THE AMERICAN YEAR BOOK A Record of Events and Progress for 1934 Edited by Albert Bushnell Hart and William M Schuyler, with the cooperation of a supervisory board representing national learned societies New York The American Year Book Corporation, 1935 $7.50

ONE might well ask how it is possible for a survey of American activity for an entire year to be anywhere near satisfactory with regard to both comprehensiveness and accurate detail. Not being cumulative, as are almanacs, such a survey must be written from start to finish each year, and within a short space of time This is possible only by the method employed in *The American Year Book*, the editors of which draw upon the cooperation of forty-five national learned societies and the contributions of some 200 specialists Only in this way can the whole gamut of American activity and achievement be dealt with authoritatively. The 1934 volume is a great improvement over its predecessor in convenience, for, thanks to a change to a thinner paper, it is less bulky Also to be commended is the adoption of boldface headings in the Index, an example that should be followed in other reference works

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CURRENT HISTORY

JUNE 1935

What Next in Europe?

By FRANK H. SIMONDS*

AFTER nearly four months of rapidly succeeding crises, conferences and conversations, Europe, in the first days of May, saw a pause which might perhaps be described as a truce of exhaustion. Rome, London, Berlin, Stresa and Geneva, each in turn had been the scene of a meeting of statesmen whose consultations filled the world with their echoes. Anthony Eden, the British Lord Privy Seal, transformed into a "bagman" of peace, had made his spectacular round of the Continent, and Tory Minister and Red Commissar had toasted George V in the Kremlin. The Council of the League had condemned German rearmament and Adolf Hitler had interrupted his birthday celebration to dispatch formal, but not too violent, responses to the nations responsible for the verdict of Geneva.

Inevitably Europe and the world asked anxiously, "What next?" Looking backward over the events that had crowded the press since the start of the year, one fact at least seemed unmistakable. Viewed as another round in the struggle between National Socialist Germany and the rest of Europe, this period had amounted to something like a stand-off. Hitler had successfully asserted Germany's right to rearm. Part V of the Treaty of Versailles had followed the reparations sections into the discard. But, by contrast, the effect of the German gesture had been to bring about a surprising degree of accord between the other great powers of the Continent and Great Britain.

Those who recall the years before the World War instinctively identified the crisis precipitated by the latest German gesture with the several "affairs" that preceded the final catastrophe of Sarajevo. Tangier, Bosnia and Agadir came most readily to mind. All things considered, moreover, the recent incident most vivid-

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ly recalled the Bosnian episode. Then Austria also tore up a treaty. Then German prestige was temporarily enhanced when a show of force in Berlin was followed by surrender in St. Petersburg and Paris.

After Bosnia, however, Russia, France and Great Britain visibly drew together. The Triple Entente began to assume an appearance of solidity and, half a dozen years later, the ultimate consequences of Bosnia were disclosed in the alignment of nations after Vienna had dispatched its fatal ultimatum to Belgrade. In an odd fashion, therefore, the same tactics employed by Germany in 1908 and 1935 appeared to be producing identical consequences.

The tempo of events a quarter of a century ago was, however, much less rapid than in 1935. Thus, in little more than two years after Hitler gained complete control, Europe saw three "incidents" at least as serious as those that occurred in the decade between Tangier and Sarajevo. The German withdrawal from the League in October, 1933, the Putsch in Vienna in July, 1934, the recent "defi" of March, 1935, these episodes followed one another so rapidly as to give the impression of a continued crisis.

Manifestly, however, this pace could not be maintained if actual war were to be prevented. And no country wanted war. That was why a pause seemed indicated, a pause during which German soldiers would seek to complete their military preparations and German statesmen would strive to break down the circle of bayonets that recent events had drawn about the Reich. Meantime, from what direction was it likely that the next crisis would come?

The question was obviously difficult if not impossible to answer because the tension of recent months had been so great that incalculable consequences might follow an incident in itself relatively insignificant. The truth of this statement was fully established by the enormous repercussions that followed the passing of a death sentence upon Nazi agitators in Memel by the Lithuanian Government. Overnight all Germany flamed into fury and fresh anxiety seized Chancelleries everywhere. All calculations had, therefore, to start from the acceptance of the fact that the peace of Europe was at the mercy of an incident.

Barring such an incident, however, it seemed reasonable to suppose that the next crisis would come over the demilitarized zones. For all practical purposes this was the last of all the restraints upon German sovereignty imposed by the Treaty of Versailles, as it was also one of the most unjust and intolerable. All other countries were free to fortify their frontiers and to concentrate as large a portion of their military forces as they might choose in their border provinces. But, in the West, Germany was thrown back behind and away from the right bank of the Rhine, and all the region west of that river from Switzerland to Holland was destitute alike of forts and garrisons.

The factories and foundries of the lately recovered Saar were now under the guns of the new French system of fortifications. At the declaration of war French troops would have hardly a dozen miles to go to occupy the larger portion of this region with its important coal mines, whereas the German would have to cover the better part of a hundred miles. Not only the Saar but most of the Rhineland as well was thus, in effect, a hostage to France as long as this demilitarized zone should endure.

The possibility that Germany might

seek to end this status quo suddenly and violently was in the minds of the statesmen who framed the recent decisions in Geneva. In fact they plainly forecast the preparation of a program of common action if Germany undertook by unilateral denunciation to reduce to a scrap of paper this ultimate restraint of the Treaty of Versailles as she had already repudiated the armament restriction. Presumably the warning thus conveyed would serve to postpone German action, but could it prevent it permanently?

Nothing seemed less likely. On the contrary, some day when German military preparations had made sufficient progress, the military frontier of the Reich would be moved up to the Rhine, perhaps quietly, possibly openly, but in either case secrecy would be impossible. And if, then, protest were not accompanied by action, military occupation of the region beyond the Rhine would follow, accomplished either by slow infiltration or by swift occupation. France and her allies, in fact all Europe, would then be confronted by another *fait accompli*. Would a program of economic sanctions have been prepared to meet this challenge? It was possible but far from certain.

In no long time Germany might not impossibly profit by the outcome of a general election in Great Britain. Nor was it less patent that the domestic political crisis in France, precipitated by the Stavisky case, had been adjourned rather than adjusted. Thus there was plain possibility that before the end of 1935 events beyond German frontiers might bestow upon Hitler a new chance to move. Miscalculation by the Reichsfuehrer, at this point, would be dangerous, however, for it was a misunderstanding of the actual extent and effect of the Irish crisis in 1914 that contributed to German undoing after Serajevo.

If France should submit to German advance to the present frontier, then the end of the Treaty of Versailles would be reached. If she did not, then there would be war. Her decision, moreover, would turn upon her own domestic political situation and upon the readiness and ability of her present allies and associates to support her in what would be an actual if belated war of prevention. Henceforth, too, it would be safe to calculate that the eyes of all French soldiers would be fixed on the demilitarized zones, anxiously awaiting a sign and, if that sign appeared, then the most acute crisis since the occupation of the Ruhr would come.

German diplomatic strategy was therefore obvious in advance. What the Wilhelmstrasse was bound to attempt was to drive a series of wedges between the prospective allies who were her potential enemies. Thus Germany would unquestionably seek to exploit British reluctance to engage in Central European combinations to reawaken the traditional continental suspicion of "perfidious Albion." Similarly she would try to break down present Franco-Italian friendship by stirring up new friction between the allies of France and of Italy in the Danubian Basin. Last of all, she would strive to strengthen the doubts alike in France and in England over the wisdom of close association with Red Russia.

If, too, in the Danubian region Hitler could, by boring from within, bring about the fall of the Schusschnigg Cabinet in Vienna and come to terms with the Goemboes Ministry in Budapest, the consequences of such a double success might be incalculable. Meantime German policy would unquestionably be directed to

the end of preventing the formulation of any Danubian Locarno, which, in fact, would not be a difficult task, since without German participation the proposed agreement would be worthless.

In the East the situation was patently confused. Hitler had bought Poland off for the moment by the Ten-Year Non-Aggression Pact. If, moreover, Poland voted with the critics of Germany in Geneva recently, the decision of Warsaw awakened no loud protest in Berlin. Obviously, Poland had been caught between two fires. If Hitler decided to attack the Soviet Union, he might ask free passage of his troops across Poland. If Poland refused, then once more the country would be the battleground between Slav and Teuton. If she acceded, then, although the battle would be fought on Soviet soil, her later dealings with a victorious Reich might be difficult and she might find herself compelled to accept Lithuania as consolation for the surrender of both the Corridor and Upper Silesia.

Meantime, it was plain that Warsaw was going to be the battlefield between German and Franco-Russian diplomacies. Nor was it less evident that a similar struggle would be waged between the elements within the Polish nation that were divided over the question of an eastern or a western orientation, that is, over the relative advantages of an alliance with the Soviets, backed by France, or with the Germans, who stood alone. Much, too, might well depend upon the course followed by the British in the next few months.

If Germany found herself before long completely isolated, that is, if her opponents succeeded in detaching Poland from her and arresting her operations in Austria and in Hungary, it was evident that only a counsel of desperation could lead her to engage in war. Such a counsel of desperation could only prevail if the domestic economic conditions reached a point where Hitler and the captains of industry and finance surrounding him had to choose between foreign war and domestic upheaval. Then, of course, the decision would be obvious. But the army would certainly plead for the longest possible delay in view of the existing odds against them.

There was, moreover, one other immediate danger and that arose from the imponderable. Hitler, himself, still remained an incalculable factor. A mystic who believed in his mission and was at times responsive to inner inspirations that bore no relation to outward realities, he had on many occasions shown his tendency to do the unexpected suddenly and violently. And in his withdrawal from the League and in his rearmament performance he had, at least in his own and in his followers' eyes, been brilliantly successful. Always, therefore, it would be necessary to reckon with a factor that could not be reduced to the terms of ordinary statesmanship or rational policy.

During the pause in the first days of May, the German people, the German Army and the German Dictator were in full accord in their desire to avoid war. As for Hitler, however, it was evident that many of the things he intended to accomplish, notably Austrian Anschluss and Ukrainian conquest, could not be achieved save by conflict. And before he could embark upon adventure east or south, he would have to cover his rear by abolishing the demilitarized zone on the Rhine, an undertaking which in itself might lead to war immediately. Meantime, no one could mistake the fact that in contemporary Europe the Germany of Hitler had come to oc-

The Cost of Defeat to Germany

The following were the chief results to Germany of her defeat in the World War and the terms exacted from her by the Treaty of Versailles:

1. Loss of 25,000 square miles of her territory in Europe, containing valuable mineral and other resources, with a population of over 6,000,000.
2. Loss of all her colonies, with an area of about 1,000,000 square miles and over 12,000,000 native inhabitants, and forfeiture of almost all her investments and holdings abroad, estimated before the war as worth $6,000,000,000 and representing nearly 10 per cent of her wealth.
3. Liability for reparations fixed at nearly $33,000,000,000 by the Allies in 1921.
4. Reduction of her merchant marine from 5,500,000 tons to 400,000 tons.
5. Reduction of her navy (at the time second only to that of Great Britain) to 6 small battleships (10,000 tons) and 6 light cruisers, with complete prohibition of submarines.
6. Reduction of her army to one-eighth of its pre-war size and one-seventh of the French Army.
7. Disorganization and general impairment of her industry and commerce.

cupy the place in the minds of Continental statesmen and peoples that the France of Napoleon once held. Little by little Hitler had convinced most European countries that their security was at stake and at long last he had also implanted something of the same suspicion in the British mind.

It might now be fairly questioned whether, if this state of mind endured, much less if it became intensified, the several European nations would sit silent and immobile, as Hitler, step by step, moved toward the attainment of his various objectives. On the contrary, if all countries had become equally scared, then a new situation would arise. The student of history could not help recalling the relatively considerable time that it took for all the European rulers and statesmen to make up their minds that peace and Napoleon were irreconcilable. But when they did reach that decision the fall of the First Empire followed within two years.

As to the European situation, Hitler, himself, had already fallen victim to several delusions. In his book he wisely concluded that British friendship was necessary to the success of his plans for Germany. What he failed to see was that his air and submarine plans must make Anglo-German friendship out of the question, so long as he ruled the Reich. In the same way he counted upon French hatred of communism to keep the Soviet Union and the French Republic apart. But at Stresa and at Geneva, France, Britain and the Soviet Union acted together and Italy shared in their decisions.

If Hitler had been a statesman, instead of a racist Messiah, it would have been possible to hope that recent events might have taught him the basic fact that it was not by the show of force, as he had hoped, but only by the use of force, that he could get for Germany what he sought for her and that every show of force must multi-

ply the odds against his adopted country. But Hitler was not a Bismarck, not a practitioner of *Realpolitik;* primarily he was a prophet and not a practical politician. Oddly enough, too, Hitler's present state of mind recalled the last and fatal stage of the great Napoleon, when belief in his star led the Emperor to challenge a Europe that his own unbalanced ambition had consolidated into an irresistible coalition.

Hitler's situation in May, 1935, was, of course, far from that of Napoleon in 1814. The process of consolidation against Germany was as yet far from as complete as when the foes of Napoleon made the Agreement of Chaumont. Not without reason Hitler might still hope to detach Great Britain from France and France from Russia. To renew the old feud between Italy and the Little Entente was also not beyond reasonable hope. On the other hand, such was the degree of alarm he had created everywhere in Europe that any new adventure in the immediate future would almost inevitably lead to the further hardening of the combination now just taking form.

Nor was it less evident that at Geneva the principles of Metternich had replaced the ideals of Woodrow Wilson and that the League, itself, had been transformed into a new Holy Alliance. Thus, if a coalition of European powers should undertake any form of coercion of the Reich, it would be assured of the benefit of the legal warrant and the moral approval of the League for its operation. And this evolution would be the inevitable, if unforeseen, consequence of the withdrawal of Germany from Geneva. Henceforth all the not inconsiderable machinery of the League could and would be exploited in the interests of the opponents of Germany.

In his book, *My Battle,* Hitler clearly and uncompromisingly set forth a program which could be realized only by the partition of several Continental countries and the compromise of the security of all. In the main, too, he had, since he came to power, consistently pursued the objectives he outlined in advance. If he had shown any signs of change it was only in the case of France definitively and of Poland provisionally. Doubtless he would have been glad to give any possible assurance to the French as to their own security, if he only could persuade them to wash their hands of Danubian and Ukrainian questions. And this change was due to the tardy perception that to fight France meant also to fight Britain.

Had it not been for the material circumstances of the Reich, Hitler might have hoped to succeed at home even if he were unable to realize any considerable part of his program of national expansion. Mussolini had already won an enduring place in history for himself by reason of his achievements as an administrator and won it without war. But as a prophet, as the new Moses of another Chosen People bound for the Promised Land of a Third Reich, Hitler must prove a failure in his own eyes unless he could carry out those prospectuses which only war could turn into realities. And no one had yet suggested that advent to power and the responsibilities of office had materially modified the outlines of his vision.

But one had to face the economic as well as the evangelical aspect of Hitler's problem. Germany, the second largest industrial nation of the world, now possessed upon her own soil only coal among all the essential raw materials of industry. Condemned to acquire her iron, copper, oil, cotton, wool and a score of other necessities

abroad, she was equally destitute of cash and credit. To supply her machines, and thus to employ her workers, she had therefore to sell her own goods abroad. Failing that, she found herself in precisely the same plight as during the World War, when the Allied blockade hermetically sealed up her ports.

Unless, therefore, Germany could persuade other countries to open their markets to her goods, she was confronted by the prospect of mounting unemployment, declining standards of living and, eventually if not immediately, the certainty of domestic upheaval. Expansion or explosion had thus become the ultimate alternative of any government that might rule in the Reich, whether republican, imperial or Nazi, unless peaceful solution could be found for the economic problem. If the government could not provide raw materials for its machines, employment for its workers, prosperity for its capitalists, then it could not hope to last and, in the end, would prefer foreign war to domestic suicide.

Were it not for the economic problem, it was hard to believe that the industrial, financial and military leaders of Germany would permanently submit to the dangerous experiment of Hitler. Whatever might be true of the masses of the German people, it was a fair calculation that the excesses and extravagances of the Reichsfuehrer and his immediate followers had found little serious lodgment in the cool brains of the military and industrial leaders. Contrary to the current delusion in the United States, neither business nor finance in any country in Europe normally looked with enthusiasm upon conflict. Nor did the best military minds in the world glow with pleasure at the prospects of a new war like the last, with Germany against the world. German industrialists and financiers had undoubtedly already arrived at the conviction that if the tariff and currency policies of the more fortunate great powers possessing an approximate monopoly of the raw materials of the earth, namely America, Britain, France and the Soviet Union, were to endure and if, in addition, Germany were forever to be restricted to her existing territories, then there was no way out of the situation save war. And under such circumstances the Messiah complex of Hitler would prove an invaluable agency in making fanatics of a people condemned to fight for material existence.

To sum up the situation after the League Council meeting in April: War seemed unlikely because Germany was not ready to embark upon armed aggression, and her prospective foes were unwilling to resort to a war of prevention. Barring some accident like Sarajevo, therefore, Europe was now more likely to enjoy a pause than to experience any acute crisis like those which in the past two years had shaken the Continent with their repercussions. And this was the case because the tension had already become so great that a new crisis might have incalculable consequences; in fact, the situation might get completely out of hand.

But this period of truce, accompanied by a time of enormous diplomatic activity, was wholly unlikely to lead to the making of real peace, because under existing conditions there could be no basis of compromise between Germany and the rest of Europe. And that situation must endure just as long as the industrial and financial leaders in the Reich remained satisfied that under present circumstances the German alternative was conquest or communism. All the

pacts, covenants and Locarnos that might be designed could have no relevancy to this problem because all must obviously aim at preventing war by consolidating peace upon the status quo. But peace upon such terms, to the German mind, spelled inevitable and utter ruin.

At the first sign of disagreement between the nations momentarily united at Stresa and Geneva, or at the smallest hint of domestic political crisis within France or Great Britain, Germany would, therefore, resume her offensive. Her most probable action would be to attempt to abolish the demilitarized zone—although obviously her decision would be determined by the conditions of the moment. Not until this step were taken would Hitler be sufficiently safe in the west to embark upon adventure in the east or the south, that is, in the Ukraine or the Danubian Basin.

It would be to misunderstand the contemporary European situation wholly, however, to believe that because Germany had been temporarily halted, she would now abandon her primary purpose, namely, to escape from her existing territorial limits and free herself from her existing economic restrictions. It was the same sort of calculation that led the Allied world to believe that because she had been defeated at the Marne, Germany would recognize that she had lost the war and make peace. Actually, however, the Great General Staff, while recognizing that it had failed to obtain a decision, was fully alive to the gains actually achieved and satisfied that victory was still possible.

Like Falkenhayn in 1914, Hitler in 1935 had now to dig in. He had achieved rearmament in principle; he would now put it into practice. In addition he had to consolidate his gains, which could be done only by abolishing the demilitarized zones. Then, like the Great General Staff in the World War, he would probably go east. In 1915 and 1916, Russia was destroyed because France and Britain could not help her. What was formerly accomplished by the German Army, Hitler now hoped to achieve again by German diplomacy. He might succeed or fail. But what the world had to realize was the fact that he would continue. And the implications of this fact were unmistakable.

The first week of May, too, was marked by two incidents equally significant of the drift of affairs. In France the government, aroused by reports of German aircraft spying over French frontier fortifications, organized two patrols, one in Alsace and the other in Lorraine, to bring down any trespassing planes. In England, the press, public opinion and Parliament reacted violently to the announcement from Berlin of German purpose to construct submarines as well as to expand air forces.

The French detail disclosed the fact that henceforth a collision between French and German aircraft was always possible and could have incalculable consequences. Nor was it forgotten that in 1914 one of the German pretexts for the declaration of war against France had been alleged—and purely imaginary—exploits of French planes above Nuremburg. As to British events, many observers recalled the famous pre-war excursion of Lord Haldane to Berlin, which disclosed German naval views as irreconcilable with British. Now that Sir John Simon's similar voyage of exploration had been equally futile, the question was raised whether Great Britain would once more abandon hope of coming to terms with Germany and reluctantly but definitively turn to France again.

Good Times Can Come Again

By STEPHEN LEACOCK*

FIVE and a half years ago the wheels of the world's industry, running at top speed, intricately geared and interlocked, suddenly slackened, sunk to a lower and lower speed and almost came to a full stop. The roar of the machine subsided to a dull throb. The wheels were still there and visible, but the cogs of most of them were thrown out of their connection. Little turned. The world's economists stood round, and still stand, like mechanics round a broken motor car, tapping and tinkering. What went wrong? How can it be set right?

In all advanced industrial countries governed under a federal system social legislation is of necessity limited and confined by the existence of constitutional limitations of power. The original economic separatism, which precluded union under a single government and gave value and opportunity to federalism, remains in existence long after the real economic unity of the country has deprived it of point. In such circumstances all proposals of social and economic reform and reconstruction must be viewed from two points of view, from that of the economist who tries to see whether the thing proposed would be of benefit, and from that of the lawyer who looks only at its legality. But for greater ease of movement let us put out of the picture all questions of the law and the lawyer and who has power to do what, and talk only as social mechanics. Let us, in short, discuss what measures of reconstruction, definite, clear, immediate and flexible, could restore and maintain the prosperity of the United States.

The machinery of production that broke down had been running under individual ownership for about a century and a half. On the whole it seemed fairly successful. It piled up a vast total of goods; it transformed the surface of the earth; it tore loose the treasures of nature. Its success was in a way more apparent than real, more at the top than at the bottom, more for the lucky few than the innumerable many and, least of all, for "the submerged tenth" of humanity. It kept with it, in attendance, poverty, but hid it away for the most part in slums and dark corners.

Yet the system, the machine, was supposed to run of itself on an infallible principle, simple as clockwork and called "every man for himself." Adam Smith said it would go; so did Thomas Jefferson and John Stuart Mill and everybody. Not only that, but they said that "every man for himself" really meant "every man for all." Adam Smith, being a Scotsman, got pious about it and talked of an "invisible hand" that thus turned the self-interest of each into the welfare of all.

The idea was this. You started out with the idea of a government, of law and order, of property in land or anything else except slaves, and of contract, made freely and enforced by the

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law. And there you were! That was the whole of it! The thing would function of itself. By sheer self-interest, and the free play of competition, it would produce the things that people wanted and would pay for, in the quantities they wished and bring them where they needed them. It would do this at a minimum of cost and at a maximum of return, because if anything went wrong—too much produced, too high a price, too low a wage—it corrected itself at once. People moved out of that part of production and into another.

Over wages, indeed, there hung a shadow; that was the dark corner. But in any case, it was argued, the dark corner was as light as it could be. Wages were as high as the facts of the situation allowed. A man got "all that was coming to him." He was worth what he got and got what he was worth. Thus the head of a bank or of a railroad who got $100,000 a year received it because he was worth it, and the man who got a dollar a day got no more because that was all that he was worth. The only hope for the poor was to keep down their numbers and keep on working. Meantime, machinery and invention would keep on working for all, "saving labor" and increasing production. The kingdom of heaven on earth was just around the corner.

On these terms the world of the nineteenth century went roaring ahead, with more and more machines, more and more production, conquering nature, knocking it flat, circling the globe. At times the machine paused to carry on a war or two and then went roaring ahead. It was noticed that when war broke out the economic effect was like a flame burning brighter in oxygen and then dying dull. At times the pace was tripped up in a slump; the world stumbled and went on; no one quite knew what had happened. As the machine went faster and faster it interlocked more and more—industry with industry, town with town, nation with nation. The more it did so the greater its output, but the greater also its interdependence. The world must now all run together or all stop together.

The World War speeded up the machine and broke it. Momentum of the war carried it forward till it burned out in the oxygen flame, till its wheels raced like a lifted propeller—and collapsed. Oddly enough, the "collapse" showed a world overbuilt, overequipped, overendowed, its cities too magnificent, its factories too large, its transportation too complete. It was the new paradox of "overabundance" in which the world's wealth, contributed by those who own it, but cannot or will not consume it, fixes itself in capital goods and still more capital goods, till it thus solidifies and stays stagnant with nothing to produce for lack of consumers. This is the new economics that would make Adam Smith turn in his grave.

How can we get back to where we were and never again come to where we are? It is at this point of the argument that voices are raised in favor of abolishing altogether our social system and replacing it by some kind of socialism or communism. But this is worse. The escape to socialism or communism is an escape from the frying pan to the fire, from a slow sizzling to a final combustion. The sizzling may at least end in a cooling down, but the fire ends everything. Let us sizzle a little longer.

The truth is that all such schemes of socialism and communism are doomed before they begin. They simply mean the distribution of all work and all pay, all promotion and all punishment, by a set of elected bosses. Elected bosses are already fallible

enough; after a hundred years we have lost most illusions about them. But in the world of today there is at least a certain choice. Under communism all men must work and obey, take what they are given or get the lash. The economic system of communism is exactly that of the penitentiary. Visionary minds are attracted to these things as children to floating soap bubbles, as wanderers to a will-o'-the-wisp.

Leaving aside, then, all questions of socialism, what are we to do to start the social machine again, and when it starts to keep it running? The mechanism of first aid is found in bringing about a rise of prices. Now this, a rise of prices, is as easy and simple to bring about as an explosion of dynamite—and requires the same prudence. A flood of fiat paper money will lift prices, if need be, to the clouds, and dissolve all outstanding debts of the past into mist. Even short of this, it may move so fast as to press too hard on the wage-earners, for wages always lag behind, like an overshoe lifted in mud. This would precipitate strikes and threaten social revolution, a last state worse than the first.

But a rise of prices can be engineered without an explosion. All that is needed is to increase the quantity of the currency up to the desired point and without going beyond it and without loss of public confidence. It is quite easy to do this by altering the metallic standard of the currency—that is, the number of grains of gold in the unit called a dollar or a sovereign. At the present time there exists in the United States a nominal unit called a dollar consisting of 13.71 grains of pure gold. But nobody has ever coined it and nobody buys and sells with it. At present it is just a legal abstraction. At present there is also a unit called a dollar existing in various paper forms and used for actual buying and selling, actual payments of interest and debts.

These two dollars have at present no forced and necessary connection. The only way to test their relative value is to see what the paper dollar fetches in the foreign exchanges and how much gold in the lump it will buy in the open market. On these terms it appears that just at present the amount of gold that the paper dollar will buy is very closely the amount that the abstract gold dollar contains. It is interesting to compare the case of Canada, where the value of the paper dollar, equally irredeemable, is just now almost exactly equivalent to the United States paper dollar; first one, then the other, leading in exchange. But at the same time the Canadian dollar is still nominally and legally declared to represent 23.22 grains of pure gold, the same amount as the previous American dollar.

Now here lies the way of salvation. General prices are computed to have risen about 10 per cent since the new American dollar was initiated. But the rise is not enough and is not spread widely enough to have a real effect. Our industrial structure is so out of order that the remedy must be a strong dose. So we must cut the gold content of the dollar down still more, make it, let us say, ten grains; then coin it, use it, buy it, sell it, redeem it. Do not be afraid of it; do not sit on it. Money is not made to sit down on; use something else for that. This much of the older doctrine was true, that the world's proper money must have as its basis metallic money of intrinsic value, with the paper only as its shadow and reflection.

The silly notion of a "managed currency" has deranged the brains of the economic world. There is no such thing as a "managed" currency. You might

as well talk of a "managed" wife. They will not stay managed. A currency could be managed and over-managed by a set of crooked officials pouring it out in floods to suit their own occasion. But the notion that a little group of inspired bankers can pilot the world with two or three levers is a mere fable. In point of morality and disinterestedness only a group of angels could do this, and angels know nothing of political economy. In any case, the complexity of the forces involved—made up of a mass of individual transactions—defies all regulation except that which is automatic.

Gold has been falsely connected with low prices, with falling wages, with crucifixion on Mr. Bryan's "cross of gold." But there is no such necessary connection. A gold standard could be used to make high as well as low prices. All that is needed is free, open movement, national as well as international. If a nation pays out all its gold in redemption, and for the time has none left, that does not matter. It is, even then, no worse off than now, when it will not pay at all. It can still offer legal tender paper, just as now. It is merely like a country store that has run out of sugar; it can get more tomorrow. The movement of the exchanges, if unimpeded, will bring the gold.

Unless the world can free its mind of this fallacy, a terrible thing may happen, of which let here stand a warning. Some day, any day, a country such as France, which never mines gold and has no interest in it as a commodity, will ask itself why it should be kept an inert, useless mass of metal when for twenty years the world's money has been nearly all fiat paper. Then France sells its gold on the market; with that the others follow and the crash comes. The mining areas, South Africa and New Ontario, are overwhelmed in disaster; grass grows in the streets of Johannesburg and trees in the streets of Gowganda. This is not fancy. It is imminent risk. And once gold is gone it will be hard to get it back. Humpty Dumpty can sit on his wall, but if he falls all the king's horses and all the king's men cannot put him together again.

Prices that rise by sheer paper inflations may rise too far. Prices that rise by gold devaluation cannot do so. They are a kite tied to a string. The other is a balloon broken loose. As prices rise, all business gains and all wage-earners in employment for the time being lose. Wage-earners out of work move off the dole to the now expanding business. Everybody spends more; everybody buys more. The wheels begin to move back. The eggs start to unscramble. The clock ticks cozily backward.

As the upswing increases, wages reach out and catch hold and swing upward, too. Best of all, the huge mass of outstanding debt—Federal, State, municipal, bond and mortgage—which is beyond the power of any people to carry or to pay, contracts as prices rise. Borrowed, as much or most of it was, in days of higher prices, social justice accepts, indeed demands, its contraction.

But if the machine were merely started and left to run of itself, it would soon be back at its old tricks again. It would overreward the most capable and underreward the rest. It would pile up in the hands of the few far more than what they could themselves consume. This would drive them to continuous "saving," which on analysis only means putting more and more money into production goods—machines, buildings, instruments of future production, not of present consumption. As long as these could find

a use all would be well. But sooner or later, for sheer lack of consumption, the whole machine would smash again. Millionaires who live on soda biscuits are of no benefit to the present world. They merely misdirect production.

What is needed then is steady and continual consumption of things made. The table must be spread and cleared at every meal. For this, purchasing power—that is, power to order the meal—must be distributed in generous quantities among the great mass of the people. This cannot be done by freak schemes of overnight credit or by subsidizing old men. It can be done only through the apparatus of wages and profits. What we must have is not a revolution of society but a change in the rules of the game; not the abolition of the "profit system"—for this is the economic counterpart of our individual physical life—but a change of rules that will make it easier to gain a little and harder to gain a lot.

We can best reach the idea of how it can be done by considering what the world will look like when it is done. Let us think of a world in which nobody has less than what we now include in the idea of $2,000 or $3,000 a year and nobody more than what is represented by $20,000 a year. It would be quite impossible to reach this goal in one jump by at once taxing all income above that point and at once raising all wage minimums in advance. The dislocation would be too violent. What is needed is the unceasing shove of minimum wage legislation upward and the increasing pressure of taxes on profits downward till the social structure squeezes into shape and corresponds to the newer ideal.

Observe that it cannot be done all at once. Premature taxation would merely break up the rich homes and the lavish expenditure of the rich, curtail too fast the luxury trades and dislocate the cogs of the industrial machine just as badly as would happen through overspeeding the profits of the rich. But bit by bit, and month by month and year by year, the process can go on. The big houses and the huge estates and the superluxuries will diminish. The modest homes will multiply. The diffused wealth warms like a gradual fire. The older luxuries of individual wealth are replaced by the collective luxuries of parks and playgrounds and public buildings. Vast operations in free public transport can make golf everybody's game and the seaside every man's playground.

One can form some idea of the social and economic relations of people living in the State that is to be by thinking of those that prevail even now in our colleges. In a college the professors are neither rich nor poor. In point of money they are more or less all alike, with but little expectations of more than what they have and little fear of less. Money, therefore, can pass out of their lives to a much greater extent than with people outside. Nor need they think so much of those "appearances" which reveal in the outer world the pecuniary status of the man. They may thus develop more freely their individual character, run toward oddity and eccentricity, with here and there a touch of the crank. In point of effort, they hit a happy medium between overenergy and loafing. It is a little hard to know whether they are working or not; nor is their work in any way a burden. It reverts almost to the hunting and other primitive activities that preceded the existence of "work." Into this "kingdom" all may, and some day will, enter. In such a State, be it stressed, every man is still "free." He does not work for the "bosses"; he need not cringe and intrigue for their favor.

One turns to the "international" aspect. The world, in the physical sense, is rapidly becoming unified. We talk around the globe, but our world trade is cut into a hundred parts, our world's money into a hundred currencies, its labor into a hundred camps. Every form of national tariff and national barrier has been hopelessly overdone. Trade cannot move, exchange cannot pass, wealth cannot circulate. The whole circulating system has been choked with the coagulating poison of national hatred and drained away through the false leads of erroneous doctrine. The balance of trade, taken off its hook in the country store where it belongs, has been hung up at the world's crossroads. According to this doctrine a nation must not buy (receive) from the world more than it sells (sends away); even with the other nations singly, one at a time, it must not do this. The doctrine, in its general form, is ridiculous enough; in its particular application it is unalloyed lunacy.

It is in itself no sign of prosperity or of adversity that a nation is at any particular time overbuying or overselling. It may mean one thing or it may mean another. A young rising nation, with money and men pouring in, must show an adverse balance every year. An old nation, from which the people were draining out and whose foreign investments were being sold off, would on that account show a favorable balance. The balance in any one case may mean adversity or prosperity or neither. Wisdom should disregard it. Children never think of their digestion, and it works; old men fuss and fuss over it, and die. So it will be with nations.

The truth is that our sick world cannot recover until it gets a much greater measure of freedom in international trade and intercourse. World-wide free trade in Cobden's day was an impossibility. It will one day become an international necessity. In Cobden's day it would have fallen with a crushing weight on the working class. They were still unorganized. International free trade would have meant forcing down the wages of the best to the level of the lowest. It is not true that high wages are cheap wages. Even after the difference in effectiveness has been allowed for, the wages in a country of highly organized labor can rise still further above those of foreign unorganized labor of the same sort but of less effectiveness. Cobden's world would have been a world of vast fortunes, crowded harbors, a babel of tongues and tumult of luxury, and beneath it, in the dark, a trodden and helpless multitude, waiting for the final revolt of despair.

All this is changed. Labor is organized. It draws, not wages, in the old sense of a man-to-man pittance, but wages as a social dividend, more or less a collective matter already, and soon to become entirely so. When labor organizes this all over the world, and in proportion as it does, the time has come for world-wide free trade.

All this does not mean that any nation, least of all the United States, can knock down its tariff with an axe. Keep that for the saloons. The system in its time was clearly necessary, gave wages a chance to share in rising national wealth and amply justified itself. It leaves behind it a mass of vested interests which justice must respect, and a fixed situation which prudence will not too soon disturb. But national policy can say, at least, "Never again"—no new tariff on anything, no increase in anything, and lower every tariff as soon as circumstances allow; help the lowering

with bounties, with reciprocal agreements, but start the movement and keep it going till the world smooths out flat.

One asks what about the lowest class in a reorganized world, the paupers, the unemployed, the unemployable? Short work could be made of all that. No dole, no poor, no pauperism! To feed the hungry, to shelter the homeless, to clothe the destitute, I would set up in each city and centre great communal dining halls and dormitories and emporiums. Here, free for able-bodied adults, are the plainest of plain meals, with half an hour at the woodpile to pay for it; here a place to sleep and sleep all the deeper for the work with the axe which preceded it; here the worn-out suit and the old boots can be replaced by new—plain butternut without insertions—and the old fumigated or burned. All this for the able-bodied adult; for the youth free, with a tin-can of compulsory schooling tied to it; for the child, the frail, the sick, all this free and much more.

The "woodpile" is taken straight out of the bygone economics of the countryside. The tramp who asked for apple pie was told to cut wood. It was the acid, the malic acid, test.

One might say that if we start all this free stuff the "bums" will "eat it up on us," eat us out of house and home. There is called up the cheerful vision of a cheerful bum in a gingerbread suit complacent as a Royal Bengal tiger, eating free, and clothed for nothing, and thus saying farewell to the fret of life, drowsing in the sun, or sitting dangling his feet over a wharf, fishing for sprats with a hook and line that some one gave him. But I do not think the picture is true. To begin with, there is the woodpile. Work as gently as he will, it is still work. Next, the whole of the free stuff is plain and severe; shelter, yes, just as a railway station is, but not more; sleep, yes, but with no phantasy for lying in bed after sun-up. Ninety-nine out of one hundred, nine hundred and ninety-nine out of a thousand, human beings would have no use for it all except in emergency; they would prefer work and life, home and children, a chance for an easier lot.

The "woodpile" needs a word. The objection would rise that the orthodox wood industry could not stand the competition; it presents the same problem as prison labor does, or as German "reparations in kind" threatened to. But the solution is easy. We single out a whole national industry for that and for nothing else—wood-splitting or whatever suits best—try it out and turn it over to the "bums" and the industrial convalescents in momentary occupation of the shelter houses.

Work in building and improving these communal shelter houses could be used to steady and regulate industry and thus prevent collapse or crisis before it began. Should business slacken the work would increase. Depression would thus be over before it came.

Our world is overperplexed with its trouble; tired, tired with its discussions; its brain weary and its spirit numb with endless talk, that will not cease, the talk of economics and unemployment, of work and poverty, of social danger, of national hostility, of imminent war and of hovering death. We are wearing out with it. We are like tired children that need a mother's care. We must get back somehow to the Springtime and the green world around us and the real things of life that really matter. That, or we must perish.

The German Anti-Christ

By CHARLES SAROLEA*

IT has been a frequent taunt with cynical laymen that in the religious wars of the past churchmen have generally been fighting for principles they did not understand and for dogmas they could not define. But today not even the most sardonic scoffer would presume to assert that in the religious war that is dividing the churches in Germany the belligerents do not know what they are fighting for or what they are fighting against. They are not fighting about the interpretation of any particular dogma but about those essentials and fundamentals of historical Christianity upon which all Christian churches, whether Catholic or Calvinist or Lutheran, whether conservative or progressive, are unanimously agreed.

There is nothing ambiguous or vague or elusive about either the principles or the policy of the Nazi "Christian" Church, for the new creed has been expounded in an imposing array of books and pamphlets whose numbers are kept down only through fear of the censor and of the policeman. It has been elaborated in many commentaries and doctrinal treatises. It has had its forerunners and true prophets like Paul de Lagarde, its false prophets like Oswald Spengler. Last, but not least, it has been expounded in three sacred and oracular books which may be described as the Synoptic Gospels of the Nazi religion.

These gospels are *The Foundations of the Nineteenth Century*, by Houston Stewart Chamberlain; *My Battle*, by Adolf Hitler, and *The Myth of the Twentieth Century*, by Alfred Rosenberg. Strangely enough, not one of these books is written by a German. The first is by an Anglo-Scotsman, the second by an Austrian and the third by a Balt, who, until the war, was a Russian subject. Without some idea at least of Rosenberg's work it is difficult to understand the issues involved in the present German religious warfare.

Alfred Rosenberg is a striking personality, as remarkable in his own sphere as Hitler, and much more cultured and even more of an enthusiast. Still in the prime of life, he holds one of the key positions under the Nazi régime, as Director of the Foreign Press and as editor-in-chief of that formidable chain of official papers constituted by the *Voelkische Beobachter*. And because of those key positions, there is behind everything he writes the power and prestige of an omnipotent government and a docile audience of millions of readers. But quite apart from his official position, Rosenberg is an original journalist and a controversialist of the first rank, and again still much more than that. He combines the parts of a missionary, an apostle and a Father of the Church. It may be worth recalling that immediately after Hitler's rise to power he was sent to England in order to win over British public opinion. He

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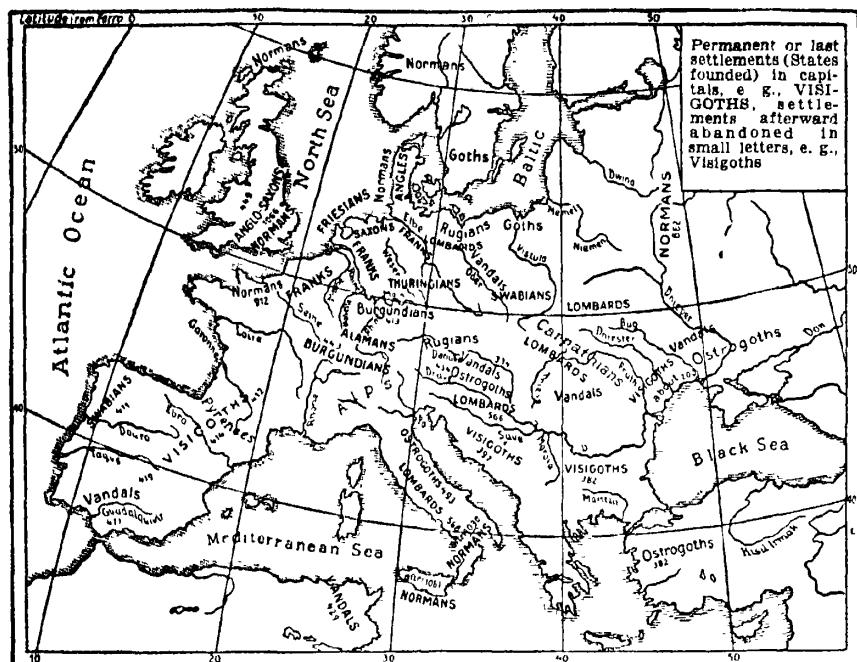
received, however, so uncomfortably warm a welcome that this first mission was also his last. Since then he has abandoned his work among foreign infidels and has preferred to concentrate on the much more important home mission field.

Herr Rosenberg is the writer of many books, most of which are denunciations of the Bolsheviks and the Jews. Here we are concerned only with his masterpiece, *The Myth of the Twentieth Century.* In molding the opinions of the new Germany, this book is second in importance only to Hitler's. But it is as different from *My Battle* as the Gospel of St. Matthew is different from the Gospel of St. John. It is neither an autobiography nor a narrative. It claims to be impersonal and "objective." It is mainly doctrinal and therefore more systematic and also more extreme in its views. The 700 pages of the *Myth* are divided into two parts. One half is controversial and aggressively polemical and makes most entertaining reading. The other half is a summa, a whole system of learning which expounds the philosophy of the Nazi creed. For that reason it is likely to be as unintelligible to the average reader as is the typical German metaphysical treatise. Nevertheless, it has been eagerly devoured by hundreds of thousands of enthusiastic disciples.

Dubbed by his opponents "The German Anti-Christ," Rosenberg in the introduction to the *Myth* bitterly resents and repudiates such an appellation. But if the word is taken in its literal sense, it does not seem to be an unfair description, for Rosenberg is indeed a bitter enemy of "institutional" Christianity. It is true that he professes to admire in some vague and distant way the personality of Christ. But he proceeds to add that the personality of Christ has been made unrecognizable "by Jewish fanatics like Matthew, by materialistic rabbis like Paul, by African jurists like Tertullian, by mongrel half-breeds like Augustine."

One may well ask what remains of the historical Christ if at the very outset of our investigation we eliminate the Gospel of St. Matthew, the Christology of St. Paul and of St. Augustine. Rosenberg himself does not attempt to explain his own conception of the personality of Christ. What seems to remain is a Nazi Christ, born in Galilee, of Amorite Nordic parents, a stern, aggressive revolutionist who came into this world to bring not peace, but a sword.

Not only is Rosenberg repelled by the personality of the traditional Christ; he is, even more emphatically than Nietzsche, the passionate opponent of all Christian churches. Even as the pure figure of the ideal Christ has been disfigured, he says, by the Popes and the Jesuits, the initial heroic rebellion of Luther and Calvin has been frustrated by the Lutheran and Calvinistic churches, which merely exchanged the servitude of Jerusalem for the servitude of Rome and which, until this day, constitute a denial of and a challenge to the Nordic ideal.

Throughout the 700 pages of the *Myth,* Rosenberg opposes the religion of Wotan and Siegfried to the religion of Rome and Wittenberg and Geneva. He opposes the Nordic swastika, the symbol of the "Sun God," to the dreary symbol of the Christian Cross. He opposes the living religion of "Race and Blood" to the unreal and demoralizing and denationalizing religion of the Universal Spirit and human brotherhood. He opposes the religion of the Superman to the religion of the weakling and of the "Underman." He opposes the elemental German virtues of honor and freedom

The wanderings of the Germanic tribes who, according to Alfred Rosenberg, laid the foundations of European civilization The map is from *The Racial Elements of European History*, by Hans F K. Gunther. (Second German edition translated by G C Wheeler New York· Dutton, 1928).

to the debilitating Christian virtues of pity and charity, which every honest German feels to be a sinister and constant menace to the soul of Nordic Europe. To Rosenberg, the creed of all the historical churches, without exception, has been consistently a principle of decay and a creed of slaves.

Historians have assumed that human civilization originated from the plateaux of Asia and that it spread from south to north and from east to west. According to Rosenberg, such an assumption is hopelessly wrong. He believes that the march of civilization has invariably proceeded from one centre and from one direction—from north to south. For 4,000 years and still longer, it is the Nordic-Germanic races that have been the sole master-builders of human values and ideals. Wherever in ancient or in modern history we observe a blossoming of culture, it is the Germanic race that has sown the seed. On the contrary, wherever there has been decay, it has been because the Nordic racial elements have been eliminated or tainted by the corruption of inferior races like the Africans and the Alpines, the Jews and the Negroes.

Rosenberg adduces as an incontrovertible scientific fact that in prehistoric times successive waves of German migration, starting from the Scandinavian North, colonized and civilized India, Persia, Greece and Galilee. Again, in the early centuries of the Christian era, successive waves of Nordic tribes rejuvenated every part of the Roman Empire and until this day the descendants of the 200,000 Gothic families settled by the heretic Gothic King, Theodoric the Great, constitute the best blood of the Italian people. Again in the tenth and

eleventh centuries, successive invasions of a comparatively small number of Norse vikings conquered Scotland, France, England, Russia, Sicily and Syria. Thus it is the German racial element that always and everywhere has evolved order out of chaos, light out of darkness. It is the Germans who created the gods of India, of Persia, of ancient Greece, of modern European nations, who founded their States, inspired their poets, made their laws.

Philosophical historians further assume that modern history has been a steady if slow and erratic advance, that it has progressed by successive stages, from the advent of Christianity to the radiance of the Renascence and from the Renascence to the Enlightenment of the eighteenth and nineteenth centuries. Here again, Rosenberg assures us, our assumptions are hopelessly wrong. What we are pleased to call progress has really been a wandering away from the Nordic truth. We have been witnessing what Oswald Spengler, who was once the prophet of Nazism, has described as the "Decline of the West." The Golden Age lies far behind us. Rosenberg wants us to travel backward 2,000 or 4,000 years The introduction of Christianity has been the beginning of European decay. The defeat of the Arian heretical Goths by Clovis and his conversion by his "hysterical wife," the conversion and defeat of the Saxon hero Widukind by Charlemagne after thirty-three campaigns, were disasters not only for "Germanity" *(Deutschthum)* but also for humanity. Charlemagne was not an authentic German; he was, we are told, a mongrel and had a round skull and a thick and short neck.

Alas! this wandering away from the Germanic truth has steadily continued for the last 400 years. All that has happened in modern history, all that our so-called "progressives" are boasting of, the establishment of parliamentary government, the rise of democracy, the triumph of humanitarianism, the poisonous influence of the international and cosmopolitan spirit, the spread of liberalism, pacifism and feminism, are so many alarming symptoms of an almost universal European retrogression and disintegration.

In the first edition of the *Myth,* which was published at the end of 1930, two years before the triumph of Hitlerism, Rosenberg disclaims any intention of founding a new German religion, protesting at the same time that he is not speaking in the name of his party and that it cannot be held responsible for his views. Within six months after Hitler's advent to power Rosenberg's disclaimers were forgotten and the contingency which he considered impossible and which he deprecated became a reality. A Nazi church came into existence under the protection of the government, and in the precise form which Rosenberg conceived. The new structure was built up on the foundations which he laid down and in exact conformity with the plans which he expounded in *The Myth of the Twentieth Century.*

In the Nazi philosophy a church must be strictly national. A "universal" church is an unreal monstrosity. There can be no living religion that is not inspired by the national spirit and by a specific national idea. "Nations are the thoughts of God." Of no nation is this more emphatically true than of the German nation. More than any other people, the Germans have been set apart to fulfill a sacred mission and the only conceivable purpose of a German national church is to mobilize and unite all the citizens in the service of that divine mission. The

old Catholic separation between the temporal and the spiritual powers is a heresy and a crime against the German nation.

In order, therefore, that the new German religion may discharge its vital national function, Rosenberg demands the uncompromising elimination of the Old Testament, the repudiation of the abortive attempt to transform and degrade the Germans spiritually into Jews, the elimination of all the dogmatic foundations of historic Christianity, whether they are Roman Catholic or Lutheran or Calvinistic. He demands the elimination of what he calls the spurious moral values of the Sermon on the Mount, the elimination of the dogma of original sin, of the Doctrine of Grace. He demands the suppression of the Cross, and instead of the dreary and degrading dogmas and malignant symbols of the present churches he wants the new German Church to substitute the Nordic myths and sagas and fairy tales which alone, since the beginning of time, have expressed German aspirations and ideals and represented German moral values.

Henceforth the German people, Rosenberg declares, instead of deriving their spiritual sustenance from the Gospel of St. Matthew and the Epistles of St. Paul, shall draw it from the Icelandic Sagas, the Eddas, the Nibelungen, from *Faust,* from the *Deutsche Schriften* of Lagarde, from the works of Schopenhauer and Nietzsche, from the *Foundations* of Chamberlain. These, henceforth, instead of the Jewish Bible, shall be the sacred books of the new dispensation. Odin, Siegfried, Widukind, Theodoric, Wagner, Frederick the Great, Bismarck and Hitler shall be the heroes worshiped by the new Germany.

Whilst the Nordic Superman preserved his racial values and racial purity, and retained his racial virtues, his love of freedom, his aggressive heroism, tested and hardened in daily fighting, he was able to impose his will upon the whole world. A tragic destiny ordained, however, that the noble Germanic blood should be tainted by the invading tide of Mediterranean, Alpine and Oriental, especially of Jewish, blood. It ordained that the virtues of the German race, their exalted sense of honor and militant courage, should be undermined by the demoralizing influence of Christian charity and humanitarian pity and that the German Superman should be submerged by non-German mongrels and weaklings. Unless, and until, the new Germany of Hitler succeeds in eliminating from its body politic that deadly Oriental poison, first by ruthless anti-Jewish legislation, second by drastic eugenic measures, third by a radical religious and spiritual revolution, there can be no salvation for the Fatherland, which must inevitably succumb to the overwhelming number of its enemies with their inferior moral values.

This, says Rosenberg, is what is at stake in the present religious struggle in Germany, an issue of life and death. To restore the old Nordic values, to purify and rejuvenate the German people with the assistance and authority of the Nazi State, to liberate them from the corrupting influences of Jerusalem, Rome and Wittenberg, to enthrone the mystical religion of the blood and the heroic religion of honor and valor, this and nothing less shall be the glorious task of the new German church. Such is the new gospel which, whilst still pretending to call itself Christian, aims at wiping out all that institutional Christianity has ever stood for.

His Majesty the King

By P. W. WILSON

KING GEORGE V on May 6 completed twenty-five years of his reign and, with Queen Mary, received expressions of good-will from every part of the far-flung empire over which he reigns. On all hands it was recognized that his was no ordinary achievement.* Not only had the throne survived the storms of war and revolution and economic disaster; it appeared to be stronger and to fulfill more than ever a definite function in the British political and social system.

What is now to be included in the British Empire and its associated spheres of influence need not be too closely defined. Suffice it to say that King George reigns over one-quarter of the human race, occupying one-quarter of the land area of the globe, and that the population which owns his sovereignty is steadily increasing. In 1910 it was about 435,000,000; today it is about 485,000,000.

It is amid a shattering of ancient régimes that the King-Emperor has gone on, as it seems, from strength to strength. Twenty-five years ago monarchy was predominant in the old world. Today the Habsburgs, the Hohenzollerns, the Romanovs—even the Sultans—have been dispossessed of their heritage. This violent termination of a long hereditary era has intimately affected King George. The last Czar and Czarina of Russia were his first cousins by birth. The former Kaiser Wilhelm is his first cousin, and is now in exile. The Queen of Spain is his first cousin, and she, too, is a refugee. King Constantine of Greece and Queen Sophie were, each of them, his first cousins, and they also were dethroned before their death. Much of what was meant in 1910 by the "royal trade union"—especially the numerous and inter-related dynasties of Germany—has been swept away.

To the predecessors of King George his isolation would have been at once painful and alarming. Despite Bismarck and his blood and iron, Queen Victoria was German in her nostalgia and at her jubilees appeared as the grandmother of Europe. King Edward VII, one of Europe's most applauded playboys, could never forget that Wilhelm II was his nephew.

There are those who assume that monarchs, because they are monarchs, rise above the domestic restraints that apply to less exalted people. With gossip of this kind the name of King George was early in his reign freely associated, and much was made of an alleged and, as events demonstrated, apocryphal romance. On the first possible opportunity, the King commanded his somewhat startled law officers to challenge the rumors in open court, and so far as it is possible by evidence to prove a negative, the public proceedings were conclusive.

The King and Queen throughout their entire married life have been,

*Two recently-published books dealing with the subject of this article are *The Reign of King George the Fifth*, by D. C. Somervell (New York: Harcourt, Brace & Co.), and *The People's King*, by John Buchan (Boston: Houghton Mifflin Company).

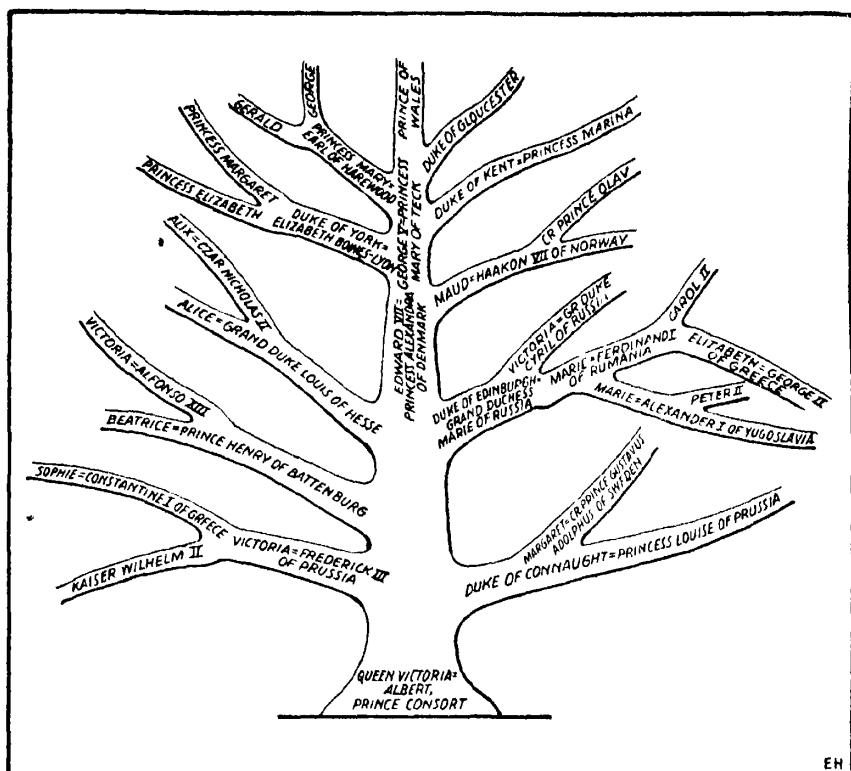
obviously, the most affectionate partners in the fulfillment of a great responsibility, nor has the King hesitated, when the necessity arose, to intimate plainly to his relatives of a younger generation his sense of what is due from them also as leaders of society. The correctitude of the Court has to be included among the "imponderables"—to quote Bismarck's word—which have contributed to the success of the reign.

It was the smart set alone that, before the war, insinuated sneers at the simplicity of the home within a palace where the King and Queen had their dwelling, and this campaign of depreciation was directed chiefly against Queen Mary, who, it has to be confessed, did not always emulate Queen Alexandra's faultless instinct for dress. Much of the comment was unjust, for Alexandra herself was not more regal than her present Majesty on a state occasion, and today the Queen has emerged as a true daughter of the late Duchess of Teck, the most popular of all princesses in the Victorian Era.

Queen Mary is the embodiment of common sense, sympathy with others and energetic ability. She has completely captured the confidence of women workers throughout the country and has never failed to give her valuable support to the rebuilding of British homes. Nor has she lost touch with her children. The stories of surrender to syncopation and cigarettes and shorter skirts merely mean, in so far as they mean anything, that she has brought an understanding mind to bear upon a post-war period when fashions, like everything else, were in a state of flux.

To King George monarchy is not international. It is national and imperial. By the tragedy that overwhelmed the Czar and his family at Ekaterinburg he was so deeply stirred that he felt unable to receive the first Ambassador of the Soviet Union and asked the Prince of Wales to act in his stead. Also, he has made it plain that he disapproves entirely of the treatment which the former Queen of Rumania has received at the hands of King Carol. But in the main, King George has been free of the domestic complications abroad which embarrassed diplomacy during previous reigns. Queen Marie of Rumania has never forgotten that she is a granddaughter of Queen Victoria. But she failed to interest London in her plan for a family compact in the Balkans, and so the Prince of Wales did not become her son-in-law.

During the formative years of his life, King George served in the navy, and it was real service. Far and wide, he cruised over the seven seas. The world that he knows best is not the old world of continental Europe; it is the English-speaking—more accurately the English-governed—world. It is the world of his stamp collection which is priceless but British. Though liable to dangerous chills and told by his doctors after his desperate fight with pneumonia that he must spend his Winters in the south of France, he prefers his own shore of the English Channel. The climate on the Continent may be recommended, but the customs are foreign.

It is thus on a strictly domestic foundation that King George has based his sovereignty, and the British throne is today as independent of outside influences as any in the world. The name of the royal family at one time was the House of Hanover or the House of Brunswick. King George prefers to belong to the House of Windsor, and the change of designation has been timely. It is not only that Hanover and Brunswick recall

How Queen Victoria became "the Grandmother of Europe." Cognate ties are omitted; e. g, Nicholas II and Constantine I were first cousins of King George through their common grandfather, Christian IX of Denmark.

the disputed accession of King George I in 1714 and the two Jacobite rebellions of 1715 and 1745, but that Windsor Castle was founded by William the Conqueror.

In an institution like the British throne, which is supported only by public sentiment, any change, however subtle, is significant and has to be appraised in the perspective of the past. There has been a far-reaching if delicate adjustment of the relations between the House of Windsor and the British aristocracy.

For centuries it has been held that the throne should be kept above any possibility of such dissensions, and the rule has been that royalty marries royalty. It is true that James II as Duke of York married Anne Hyde, daughter of Lord Clarendon, who thus became mother of two Queens—Mary and Anne. But that marriage was private and, in 1772, the position was safeguarded by the Royal Marriage Act which declares that any union affecting the royal family is null and void unless the consent of the sovereign has been obtained. That act is still in force and King George administers it.

Queen Victoria allowed the Princess Louise, regarded as out of the succession, to be married to the Duke of Argyll. King Edward similarly permitted his eldest daughter, the Princess Royal, to become the Duchess of Fife. When, therefore, King George

approved of his daughter, the Princess Mary, becoming, prospectively, Countess of Harewood, he was following precedent. She also was out of the probable succession.

It was a very different matter when the King said to his sons, including the Prince of Wales, that they, as heirs to the throne, were now free, in effect, to marry whom they wished; and dramatic was the moment when at Buckingham Palace a daughter of the Earl of Strathmore, born Lady Elizabeth Bowes-Lyon, curtseyed to Their Majesties as bride of the Duke of York and was greeted as "Your Royal Highness" and a possible Queen of England. Today the eldest daughter of the Duchess—Princess Elizabeth—is an heiress presumptive of the Crown. It is true that later the Duke of Kent married the Princess Marina of Greece, who by birth enjoyed royal status. But it was obvious that the Duke had been at liberty to marry otherwise, had he so wished.

The closer association of the royal family with the British aristocracy means much more than the single marriage of the Duke of York. It expresses a new consolidation of royal and social influences. In the past a multitude of minor royalties were addressed as royal or serene highness, as prince or princess. The rule has been laid down whereby the only such prefix shall be "Royal Highness," which honor shall be reserved for children of the reigning sovereign and his grandchildren by sons. The effect of this is that collaterals cease to be royal and are merged into the aristocracy and the new arrangement is retrospective.

To Queen Victoria royal weddings, when they had to be, were a kind of unfeeling insult to her perpetual widowhood. Like her own wedding, they were celebrated in the semi-privacy of a chapel royal, either at Windsor Castle or St. James's Palace, where there was only room for a handful of guests, and the public were requested to observe a proper distance. King George has decided that such a ceremonial should be inclusive, not exclusive. It should be representative as well as royal. For the first time since the days of King Henry VIII there have been royal weddings in Westminster Abbey, and the people have shown that marrying British is as popular with them as buying British.

Thrones have been supported by force of arms, by ancient prestige, by mystical belief in divine right. King George has been offered a scepter of which his ancestors had little conception. It is a scepter of recent design and some monarchs would have hesitated to touch it. The King has had the courage — the comradeship — to grasp it firmly and wield it for the common good.

Twenty-five years ago it was a grave breach of etiquette to look at royalty through an opera glass, and the camera, unless duly authorized, was high treason. Today it is publicity as well as divinity that surrounds the throne, and nowhere is publicity more carefully organized and more discreetly encouraged than at Buckingham Palace. There are pictures of the King and Queen as they appear on every possible occasion. We see His Majesty tugging at a rope on his yacht, eagerly watching a football match, laughing over an anecdote at a flower show, and on suitable occasions the family appears on the balcony of the palace, there to acknowledge the plaudits of the crowd.

The new scepter of publicity is charged with electrical possibilities. The King, like his father, opens Parliament in person and even surpasses the splendors of Edward himself by

wearing his crown when he addresses the Legislature. But the "King's speech," written for the monarch by his Prime Minister, is no longer a sufficient expression of the royal mind. At Buckingham Palace there is today a new and up-to-date throne room, never imagined by kings heretofore. The canopy over the King's head has been superseded by a golden microphone. Thus is he able to exchange Christmas greetings with his people, at home and abroad. The arrangement of this broadcast is proletarian. It is no Privy Councilor, no Lord Chamberlain, who announces the King. It is made entirely clear that the lords and ladies of the court stand only on the steps of the throne. The King who sits on the throne looks over the heads of the aristocracy to the people as a whole.

The publicity is an appeal to the majority against minorities, whatever they may be. Labor plunged the nation into a general strike. The King carried on. There are still mutterings of "thunder on the left" and a Communist member at the bar of the House of Lords raises his protest in the presence of majesty itself. The King carries on. What effect had that protest compared, let us say, with the universal and amazingly successful broadcast of the wedding of the Duke of Kent? It was occasional antipathy battling against sympathies that are elemental.

The growing influence of King George is due to a paradox. Personally he continues to be the most modest of men who avoids the least suggestion of what was "all highest" in the Kaiser. Officially he has become the most magnificent of all monarchs, not only crowned in Westminster Abbey but voyaging over half the world in order to be acclaimed in Delhi at a durbar of superb grandeur. The King subordinates himself. He exalts what the Prince of Wales in his off-hand way describes as the "job."

King Edward liked to be called the peacemaker, an appellation that has suffered somewhat under the scrutiny of the historian. It is not with peace abroad that King George is especially concerned. His chief aim is appeasement within his own realms. He is the conciliator. When he refused pointblank to subscribe to an accession oath which was expressed in terms offensive to Roman Catholics, when he and Queen Mary were received at the Vatican by the Pope, when the various leaders of opinion were invited to discuss the Irish question around a table in Buckingham Palace, the policy of the King was made plain. Not for him to follow the example of Queen Victoria, who supported Melbourne against Peel and Disraeli against Gladstone. Under King George political opponents must learn that, in these hazardous times, men of goodwill must work together.

The mobilization of a national sentiment has been a formidable task. At his accession King George was faced by a paralyzed Parliament. The Lords, representing land and wealth, were deadlocked with the Commons, representing various discontents and aspirations. Somehow the deadlock had to be broken. The King insisted upon two principles. First, the wishes of the people must be clearly indicated in successive elections. Secondly, the popular will, thus indicated, must prevail. He forced the Liberals to appeal to the country. By undertaking to create peers if necessary, he forced the Conservatives to accept the verdict.

If the King's reign, from that day onward, has been a success, it is because he has recognized frankly and without the least mental reserve that he is a strictly constitutional monarch.

Among his Prime Ministers there have been an Asquith and a Lloyd George, a MacDonald and a Bonar Law, nor can any one say whom among them he has preferred. When three parties—Liberal, Conservative and Labor—divided the electorate, the King did not listen for an instant to those who desired that the scales should be weighted against Labor. During the reigns of Victoria and Edward there was a constant suspicion that the throne was interfering, and today we have evidence that the suspicion was well founded. Nobody thinks of alleging that King George interferes. His contribution to history is much less irritating and much more decisive. He does not interfere. But he does intervene.

The full story of the economic crisis in August, 1931, has yet to be told. Was it "a banker's ramp" designed to dish the Labor government? Was it a bold deliverance of the country from a threatening collapse of credit? One thing is certain. The King traveled from Scotland to London and things happened. Not only did MacDonald resign. His seals of office were handed back to him and a National government was formed. These were events in which obviously the King played his part and the country backed the King's judgment.

The reign of King George has been a period of rapid transition throughout the British Empire. Twenty-five years ago the Imperial Parliament at Westminster claimed and exercised the right to legislate for the whole of the territories within the sovereignty of His Majesty. By the Statute of Westminster this right has been surrendered in so far as the Dominions are concerned, and almost the whole of the movement toward autonomy in India falls within the reign of King George.

The decline of centralizing parliamentary authority has left the empire, sometimes described as the Commonwealth of Nations, with the monarchy as the only remaining constitutional link of sovereignty, and this means that the monarchy, instead of being a survival of the past, has become an essential of the present and indispensable to the future. Without the monarchy Greater Britain would fall asunder.

The position of the King-Emperor has thus been enhanced greatly in importance and his activities have been multiplied. He accepts the advice of his Ministers. But those Ministers are no longer only those in London. Governments in Canada, Australia, South Africa and New Zealand also tender advice, sometimes, it is said, by long-distance telephone. To accept advice is no longer the King's sole duty. Advice from different quarters has to be molded into one coherent idea of policy. Nor is Buckingham Palace any more to be regarded merely as the home of the court. It has become a Department of State, as carefully conducted as any other department, with a rigid punctuality included in its efficiencies. It is not enough in these days to say that the King can do no wrong. He must not fail also to do the right thing.

The new importance of the British throne within the empire—not only as a link that symbolizes the alliance but as a kind of reserve on which it is possible to fall back when democratic processes yield inadequate results—means inevitably that the occupants of the throne, whoever they may be in years to come, will be tested as King George has been tested.

The Collectivist Illusion

By VIRGIL JORDAN*

IN his recent series of articles in CURRENT HISTORY, Stuart Chase's copious card-index of conclusive quotations and his inexhaustible scrapbook of persuasive statistics have again been opened, and three theorems have emerged, with the natural and obvious inevitability of the chicken from the egg, or vice versa, as you look at it. I say three, but since they are all the same any attempt to number them must resemble the impressive but specious particularity of the "points" in the platform of the National Union for Social Justice, or any of the ethereal economist's radio "sermons" from the Shrine of the Little Flower. Says Mr. Chase:

1. The whole world is going, going, almost gone collectivist, and the New Deal has put us in for it so deep we'll never come up any more.

2. This is inevitable, inescapable, ineluctable, predestined, foreordained by all the "forces" now in operation beneath the surface of the "modern scene," no matter who likes it or doesn't; and you'd better like it because it's good for you. Almost every kind of business, except perhaps the manufacture of fancy gadgets and the services of lady barbers, is a matter of public interest and the State must sooner or later step in.

3. There's a style and degree of government "step-in" to suit every public purse and political taste, and the public corporation, in which a select group of preferred stockholders and the common taxpayer together hold the bag, seems to be favored for most collectivist purposes; but the march of progress is irresistibly from regulation to public ownership, to the greater glory of the wise and disinterested State and the more abundant life of the people.

This, of course, is the popular ditty of the day, the theme song of the current political circus and all its sideshows in this and most countries. Sometimes orchestrated in elaborate academic dialectic or engineering jargon, often with the fluty obbligato of the visiting British ladies-club lecturer, usually only with the ostinato thump of the soap-box, the tune is always the same: Capitalism has collapsed, its carcass lies moldering in the grave, and the collectivist apocalypse is at hand.

The State, the daring young man on the flying political trapeze, everywhere soars through the air of social unrest with the greatest of ease; and the Three Little Pigs planning the Age of Plenty have put the Big Bad Wolf of Business to final flight. This theme, in innumerable variations, is the folk-song of our time, and by a sort of self-hypnosis the incessant chant of the collectivist chorus has convinced us that the fairy tale must be true.

In its more superficial aspect, the "profound technological force" at work in this process is the simple one applied by Svengali, Coué & Co., that if you say a thing often and loud enough it will be so. But the problem of explaining this phenomenon goes

*Mr. Jordan, who is president of the National Industrial Conference Board, has written this article as a reply to the views set forth by Stuart Chase in the March, April and May issues of CURRENT HISTORY.

deeper; it is one for the psychoanalyst rather than for the economist. A single article is too scant a space in which to explore the labyrinth of complexes that underlies this spread of apocalyptic fervor displayed in the endless literature of economic hypochondria today. Most of them are displayed in Stuart Chase's series of articles. Here in his lucid and eupeptic pages one sees in their simplest and clearest form the familiar emotional symptoms of the apocalyptic revelation.

First and most fundamental among them is that firm and fervent infantile fixation upon government as the Great Mother, the ever-flowing breast of the more abundant life and comforting security. Alternating with this motif there emerges for a moment now and then that profound and inseparable mixture of fear and love for the State as the swift-punishing, implacable and all-powerful Father, the *personification of the* Big Stick.

Throughout one notes the characteristic evasion of unpleasant reality, the flight from fact, the imaginative wish-fulfillment fantasies that flower around the phrase "the age of plenty," the adolescent potency image implicit in the concept of the unlimited "power age." Beneath these deep-lying impulses which conjure up the vision of the collectivist apocalypse or the simpler perfections of the New Deal as compensation for the profound sense of individual creative impotence characteristic of our time, one sees the ever-present longing to escape the relentless struggle of individual existence, to relapse into the protecting anonymity of the mass, to return to some all-embracing refuge from reality and rest in the passive security, the automatic effortless enjoyment of the collectivist society—the economic Eden, the consumers' paradise.

With all this regressive withdrawal from the lonely rigor of the individual life, there is a curious note of resignation, showing itself sometimes in a despairing sense of inescapable destiny, sometimes in exulting self-immolation on the altars of the inevitable, which betrays the collectivist as more profoundly fatalistic than the normal individual realist whom the uplifting gawdsaker commonly condemns for this quality. This trait, of course, has always been evident in the grim dialectic of Marxism, where the doom of the individual personality by ineluctable class war ending only in the communism of the worm was graven in the tables of the law that were handed down from the Sinai of the British Museum.

Strange paradox, indeed, that collectivism should be considered as a gospel of hope, and every other conception of social organization and individual existence as a counsel of despair, for fundamentally the apocalyptic outlook of the collectivist is dominated by a suicide compulsion. The end to which he is being driven is individual extinction—annihilation of his personal existence by submergence in the mass.

All this, in its essential psychological traits and also in its manifestations of mass behavior and literary expression, is an old and recurrent phenomenon in history, characteristic of periods of depression, war, famine, plague, political chaos and creative decay, and exhibited in every essential detail in the Christianity of the Catacombs and other outbreaks of Messianism in the Middle Ages and since. The terminology and imagery have changed; the impulses and the psychological mechanisms are the same.

Words, phrases and slogans as always are mistaken for realities, endowed with magic potency, so that

when they are spoken it is assumed that something has been said and done. Great masses of people succumb to this cliché-psychosis and endlessly repeat meaningless verbal formulae as a substitute for thought or action, as an escape from individual effort or personal responsibility. This is the oldest form of flight from the facts of existence, and in the present epidemic of apocalypticism the radio and the press have given the illusions of language a potency and scope unprecedented and made the pain of readjustment to reality correspondingly widespread and difficult.

Today, instead of the priestly patter of the past, we hear hurled through the ether and see spread upon the pulp of millions of trees a vast stream of political lingo, economic and engineering argot, statistical jargon, pseudo-scientific mumbo-jumbo, which are becoming part of our everyday conversation, and the meaning of which not one in a million who uses them ever asks himself. For the Kingdom of Heaven, or the Promised Land, we have the New Deal or the Age of Plenty. The end of the world of work, the collapse of the capitalistic order of personal effort, and the coming of the collectivist State are revealed to the faithful by the signs and portents of endless statistical tables and "surveys," seen in the trances induced in the initiate by the manipulation of slide-rules and census reports.

Those modern Messiahs called economists abound in the wilderness of Washington or Louisiana or in the industrial desert around Detroit, crying to us to prepare for the power age of universal abundance and permanent security. In the catacombs of the Capitol, the simple and pure of heart castigate the wickedness of world, flesh and devil personified in industry and finance, and preach the redistribution of wealth modeled on the miracle of the loaves and fishes. Under the banyans of the alphabetical bureaus official fakirs mumble the mystic syllables of the abbreviations as they tell the billion dollar beads on their red tape rosaries and contemplate the Economic Nirvana of the New Deal. All over the land little bands of believers, hearing the call to eternal freedom from labor, assemble in college chapels, adult education associations, civic forums, women's clubs, leagues of what-would-you-like, and listen to the mystic messages from foreign lecturers and other apostles of the Gospel of National Planning, telling of the land flowing with milk and honey and paper money, of the heaven of high wages, unlimited leisure and free electricity, under the thirty-hour week, the TVA, the A. F. of L. and public works.

Quaint and touching in some of its aspects is this spectacle of apocalyptic enthusiasm, with its brisk Rollo-boy bravura. One wonders whether any of those who share it, or those who so blithely foster and stimulate it, have ever dared to look long and steadily into the depths into which this potent superstition of the all-wise, all-providing, all-protecting and all-powerful State relentlessly leads those who fall under its spell, whether they be victims of a fanatical leadership born of cruel lust for paternal power or of the infantile longing of those who, too feeble to bear the burden of life, yearn for the maternal embrace of government that absolves them from effort and shields them from chance?

One who has had any experience in struggling to interpret the tenuous, uncertain statistics of human behavior may be amused at some of the milder manifestations of the epidemic. There is, for example, the ingenuous, gog-

gling credulity of its medicine men for anything in the form of figures—a credulity somewhat disturbing to see in an engineer and accountant like Mr. Chase, who might some time have to design a railroad bridge or account for the bread cards in the collectivist State, and who yet seems to regard every statistical table as touched with the finality of Sinai. One may be equally amused to see, beneath the snappy American streamlines of the high-energy jargon and the new-economics clichés with which Mr. Chase and others interpret the coming collectivism, the old-fashioned buggy in which the imperial paternalism of Bismarck's Germany began its triumphal course among the democratic countries of the world, after the invariable principle by which the victors in national or class wars unconsciously absorb and make their very own the ideas which they set out to destroy in the vanquished.

But I fear that the American worker who helped to make the world safe for democracy and is still paying for it will find it a rather grim joke when he discovers that his struggle to destroy the divine right of the State in Berlin resulted in contracting a worse case of the disease in Washington and that twenty years after the war the country that crushed Imperial Germany is copying the cruel depersonalized paternalism of the original servile State?

At the end of his articles the cheery Stuart Chase does indeed find himself for a brief moment peering into the depths of the human and personal implications of the Absolute State, but he promptly steps back from the brink into the rosy cloud of confident forecast in which he rides. Rarely does the collectivist like to look long and hard at anything that does not fit into his pleasant picture of the way he would like to have people behave.

Rarely is he willing to look long and hard enough even at his detested capitalism to see what this word-devil really stands for. A few familiar phrases, like "a society of millionaires and paupers," always furnish sufficient substitute for thought. As if by accident one of Mr. Chase's card-index quotations about it seems to have slipped into his pack in the wrong place, to tell us casually what a few people have patiently been trying to explain even to business men who themselves do not seem to understand it—that "capitalism is not a profit system, but a profit and loss system." Mr. Chase casually encloses the phrase in a couple of parentheses and passes on, apparently unconscious that it is the key not only to the creative power and accomplishment of capitalism, but also to the impotence and sterility of collectivism wherever the weakness of a people have made them succumb to it. But that is a story too long to tell in this place, and too late to be listened to when only bitter experience can convey its lesson.

No objective observer can question the superficial significance of the swift and universal drift toward collectivism which Mr. Chase describes. Everywhere the degeneration of individual integrity, of personal enterprise, effort, risk, courage and sacrifice is evident. Everywhere the spell of the superstition of the omnipotent State is seen exerting its sinister power upon the sterile and infantile mass mind. In Europe the psychosis of Statism moves swiftly to its invariable end. The suicide compulsion that underlies the collectivist mass psychology has its most immediate and universal manifestation in war, and in modern times wars cannot be fought

by individuals; they mean absolute submission to the State, and their only outcome is complete collectivist regimentation.

The depth to which the American people have been sunk, not only financially but spiritually, in the collectivist quicksand is apparent enough, and one who has explained the process so often in the past two years cannot quarrel with Mr. Chase's accounting of its extent or his assurance that we shall probably not extricate ourselves from it. The popular expounder of the principles of the New Deal and the inventor of the slogan ought to know. We may take his word for it, and the Republican party, if any, may take its cue from his clear and comprehensive characterization of it. But we must not mistake its deeper meaning in terms of economic welfare and human freedom. They are not, at the end of the road, what they seem in the pipe-dreams and tweedy-idealism of the Connecticut word farmer.

On the coldly economic side the superstition of the State is perhaps least easy to see through in this day of the magic-minded Massemensch who had no part in making the marvels by which he lives. The burdens of prosperity and progress have always been borne by only a few creative spirits, insatiably seeking knowledge, recklessly risking danger, enduring endless labor to bring order and accomplishment out of the indifference of nature and the indolence of man. In its arrogant ignorance the great inert mass of humanity that was spawned into the Western nations by the productive enterprise of the past century imagines that it has made and can command, by some magic of government, the miracles of the modern world in which it lives. Yet in truth it is but the dumb beneficiary of the daring, the industry, the sacrifice and effort of a mere handful of forgotten men who carry it on their backs. By blindly destroying them it will some day destroy itself.

The unromantic truth is that neither the industrial revolution nor the growth of government has changed the essential conditions of human existence and accomplishment. "Natural forces" and "economic laws" may be "summarily discarded' by the dicta of Mr. Chase, while the apocalyptic chorus may chant its mystic syllables about the "power age" and the academic monks may illuminate their "charts of plenty." But the hard facts about human insecurity and the struggle for existence remain undented. The essential problem of production, which is the sole basis both of prosperity and whatever measure of security is possible to the species on this hostile planet, has never been solved.

There is no trustworthy statistical evidence indicating anything other than transient overproduction of particular commodities in special places at any time. Everything that men produce is consumed or worn out as fast as it is made, or in a short while, somewhere, by somebody, at some price or at none. The whole theory of overproduction, underconsumption, oversaving, deficiency of purchasing power and excessive debt-overhead, which is the current credo of collectivist economics, is pure political mythology, unsupported by any comprehensive and conclusive scientific data of any kind.

It is still barely possible, and only under the most favorable circumstances, to feed and clothe the world at a sheer subsistence level with the existing working capacity and equipment of its population. Machinery is ancient, but man is older. Even our modern power machinery may be a

substitute for muscle, but it never can be for the enterprise and effort of the human personality. The human animal is incurably inclined to try to get the maximum satisfaction with the minimum exertion, and his mass accomplishment is always a compromise between these two impulses.

Individuals differ widely in endowment of intelligence and energy, as do nations in natural resources and the creative will of their people. To imagine that any economic system or social organization will enable any large population automatically to enjoy universal, equal and permanent abundance and security without regard to the productive capacity of the individuals who compose it and the resources of the area in which it lives, is a sheer infantile wish-fantasy of the mass mind with its roots in the fairy tales and folklore of the sugar-plum tree, the manna shower and Aladdin's lamp. Only by the greatest and most continuous effort and the most daring enterprise on the part of a few is it possible to enable the many to live at all. Everything that has been done, everything that gets done anywhere, is done in the end by some individual. The human personality, eternally alone, is the sole source and well-spring of all prosperity, progress and security the race has ever known. The mass—that fearsome symbol of modern spiritual sterility—is never more than a mobilization, in the lowest common denominator, of the envy and greed, the delusion and despair of the individuals who compose it.

Neither the technical arts nor the State has any necessary relation to these essential realities. They are rooted in the facts of human personality and the conditions of its existence on this hostile planet, and are likely to remain so, at least until babies are born from bottles into Huxley's "brave new world." Certainly the collectivist apocalypse will not change them. The capitalism which it is to replace next Monday morning, so far as the word retains any meaning, is not an economic system so much as it is an expression of those human facts and an adaptation to those natural conditions —an individual attitude toward life and work. If it exists at all you do not change it by changing your Cabinet or your Constitution or using electric toasters. Capitalism was not born in the boiler of Watt's steam engine, nor will it die in the dynamos of Wilson Dam or Dnieprostroy—unless, indeed, it is already dead, in which case our dynamos will do us no good.

On its economic side capitalism is a principle of organization of human effort whereby the greatest energy in the world, the largest and most unexhaustible reservoir of power known—the intelligence, industry and enterprise of individuals who exert it to advance their prosperity, security and prestige—is released for productive accomplishment. It implies great hope of gain and great risk of loss, but the total productive result is larger in proportion to the population than has even been achieved under any other organization. That result accrues ultimately to the benefit of the great mass of consumers without regard to their share in the risk it requires or their stake in the reward that stimulated it. To them ultimately goes the great bulk of the goods and services which are the outcome of the enterprise organization, no matter how the paper claims upon it may be initially distributed.

Profits and losses offset each other, and over the years no net profit is preserved for any individual or group in the system, save to the community as a whole in a higher standard of living. All savings are dissipated and

consumed; and in a constantly shorter span, as the speed of enterprise increases, they are returned to the community in goods and services, no matter what becomes of the claims that represent them. By an inescapable economic entropy these claims evaporate and the "capital" they represent disintegrates into "groceries." The secret of the power and accomplishment of capitalism lies not only in the fact that it so effectively stimulates and releases the energies of men in accumulating capital but that it correspondingly speeds the dissipation of capital. The expectation of profit makes its wheels turn; the unseen certainty of loss keeps them turning.

All economic systems are the same, inescapably capitalistic, in that somebody must do the saving that makes future production and its increase possible; they differ mainly in respect of who does the losing. The enterprise system, which we mistakenly assume has the monopoly of capitalism, involves: (1) An incessant individual effort of a few who make production possible to recover its cost or more from the many, and (2) their invariable failure, in the aggregate, to do so. Collectivism, on its strictly economic side, is essentially a system in which—whatever becomes of the profits—the many try through the State to collect the losses from the few. The effort is equally futile, but its effects are fatal for the welfare of the many. Your collectivist imagines that his only problem is to distribute the profit, but the real task is to collect the deficit. Every economic system inevitably involves both.

Here, in the collectivist psyche appears the magic image of the State—the cow that eats no grass, the inexhaustible udder of milk for the mass. Under collectivism, for the dilemma of the deficit there is only one solution: You substitute public bankruptcy for private bankruptcy and you compensate for the waste of capital by collecting the public loss out of the private consumption of the few as long as you can, and ultimately out of the standard of living of the mass. In the transition, collectivism feeds on the profit of private enterprise; in the end, upon the bread of the people. Today, in America, not merely is collectivism, as Mr. Chase says, "making heavy inroads on private enterprise," it is living on it. When that source of subsistence ceases, it will begin to devour itself.

The State creates nothing net; it only consumes the surplus product of individuals. Everything it does is done at the expense of the enterprise and effort and thrift of its citizens. Throughout history the State has been the persistent and insatiable parasite on the creative power of its people, laying illimitable toll upon their industry, enterprise and intelligence. To say, as Mr. Chase does, that "down the long record of civilizations, the State has usually led and private enterprise has usually followed" is sheer falsehood. A good Marxian economic determinist should know better.

The "grim realities" that have forced this indefinitely expanding "overhead" upon the people of almost every country are the simple realities of political racketeering. Government is the original racket, and the greatest ever devised, whether practiced with plain pikes, swords or pistols, or conducted with economist's slogans. The State, as an economic agent, has never been much more than a mobilization of the power of the few for the exploitation of the many. Most political history is but the story of a strug-

gle of small groups for access to the public purse or for use of public power for private ends. Collectivism is that stage in the development of the State where the people no longer merely endure or condone public waste but demand it; and then it reaches a *reductio ad absurdum,* for when the State has to support everybody it becomes apparent that it can support nobody. All his subjects suddenly see that the King is naked.

But this economic illusion is the less sinister side of the superstition of the State. If this process of self-exploitation were all, it would soon exhaust itself. Before that another stage sets in. When the Absolute State can no longer subsist successfully by devouring the substance of its people, it begins to subjugate their spirits and destroy their soul. As the area of individual enterprise contracts and the productivity of industry declines, the standard of living can be maintained only by the arbitrary regimentation of labor. When the supply of pap from the public nursing bottle gives out, the government as the Great Mother is replaced by the State as the Stern Father who sets his spoiled offspring goose-stepping in labor battalions to the sharp lash of the bread card. And with freedom of labor ends freedom of life and thought, for enterprise and property are inseparable from liberty.

Man then becomes, in such a sense as he has never known under the capitalism to which he has so carelessly applied the epithet, the slave of the machine, not merely the machine of modern industry but the far more frightful machine of the Servile State which tells him that he must work as, when, where and at whatever he is told, or starve.

This, one must say to Stuart Chase and his blithe band who so trippingly tootle the Utopian pleasures of the collectivist apocalypse in this Promising Land of ours, is the end of the road along which the spell of the Great Superstition so seductively draws us today.

America's Desolate Acres

By WAYNE GARD*

BLINDING duststorms, the most calamitous in American history, have been sweeping powdered topsoil from the Western plains across the broad Mississippi Valley and on toward the Atlantic seaboard. Thousands of farms have literally been blown away. For two years in succession there have been many days in which the sun has been blotted out over the Central States. Automobiles and trains have been halted; schools have been closed; farm animals have died as their lungs became clogged with the inescapable dust. Even the inhabitants of Manhattan penthouses have noticed an unaccustomed yellow haze overhead and a film of Dakota gumbo upon their furniture.

Such storms were less common and less blighting in the days when great herds of buffalo roamed over the prairies and plains, half-hidden in the tall grass on which they grazed. Grass roots pinned down the soil there, as they did, for the most part, even a generation ago. At the turn of the century the high plains that form the threshold to the Rockies still wore a carpet of grass, with patches of sage and occasional clumps of yucca. Grazing cattle had replaced the buffalo, but the soil remained in place and an occasional sandstorm in the Spring was only a minor annoyance.

But the World War created an abnormal export demand for farm crops. Section after section of ranch land was bared to the plow. Tractors and harvesting machines were brought in. Feverishly, to take advantage of almost miraculous prices, the land was planted in wheat. Some of it went into corn or beans or—to the South—into cotton; but wheat was the gold that most of the farmers sought.

Today these farmers realize that they should have husbanded the soil they so hastily mined. For weeks this Spring they and their families wore ineffectual wet cloths over their faces as relentless winds picked up the essential topsoil of their land and bore it eastward, carrying hundreds of millions of tons across State lines to deposit it where it was less needed. Many of these people have been driven from their farms. Some of them might be dying of famine, save for prompt relief measures of the Federal Government.

The more discerning of those who helped plow up the plains are now ready enough to confess their mistake. "I brought the first tractor to this county," said Judge Noel McDade of the Texas Panhandle. "I often think that somebody ought to have met me at the line and turned me back. I wouldn't ask for anything if my land were back in grass."

The recent devastation of land needed for growing the nation's food can be attributed only in part to natural forces, such as the unprecedented drought of 1934. The duststorms in large measure are the bitter fruit of the American policy of reckless land

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*Mr. Gard, a member of the editorial staff of *The Dallas News*, contributed to April CURRENT HISTORY an article on cotton entitled "The Planters' Prospects."

exploitation. They are also an omen of worse desolation which may follow if prompt steps are not taken to conserve the soil.

Even more serious than the erosion wrought by wind, though not marked by such spectacular signals, is that effected by water. With trees being cut four times as fast as they are planted, with vast pasture lands loosened by the plow, and with overgrazing continuing unchecked on the public domain, soil that required ages for its formation has been washed out to the sea at a rate estimated at 1,500,000,000 tons a year. The water carried away by the rivers comes back in rain clouds, but the soil is lost forever.

The process of erosion has been speeded by the denuding of great areas of American forest land within the last century. Lumbermen eager for quick profits have depleted the Northern forests, mowing down young trees as well as mature ones and refusing to make new plantings. The formerly immense forests of Michigan, Wisconsin and Minnesota have now so nearly disappeared that these States must import lumber for their own use. In Michigan, where 92 per cent of the original forest has been cut or destroyed, the stump lands have become rural slums where thousands of families live in crude huts and subsist on Federal relief.

The truth is that what we have been accustomed to regard as the boundless land resources of the United States have been slipping away without our being aware of their loss. We have as many acres as ever, but much of the fertility has been lost. A recent survey showed that a century of gully erosion had ruined half the good farm land in the Tennessee Valley. In various degrees, the same destructive forces have been at work in nearly every part of the country, until probably three-fourths of all tilled land has lost some of its fertility by erosion.

East of the Mississippi any one who drives through rural areas finds countless farms that have been abandoned after the topsoil has been washed away. Estimates based on available surveys indicate that 35,000,000 acres of what was formerly good farm land have been robbed, mainly by gully erosion, of usefulness for cultivation. In addition to this large area, equaling Pennsylvania, Massachusetts and Connecticut combined, much of the topsoil has been washed off 125,000,000 other acres, mostly still under cultivation, and another 100,000,000 acres has been reported in danger of similar impoverishment.

Most of this waste might have been prevented, though it has resulted not so much from deliberate choice as from lack of foresight. It has been going on ever since the Indians were first pushed back from the Atlantic seaboard and their hunting grounds cleared for the plow. Often the Federal Government itself has encouraged the exploitation of the soil.

Ever since the Continental Congress, within four months after the signing of the Declaration of Independence, began promising land to Revolutionary soldiers and sailors, the public domain has been sliced off rapidly. Between 1850 and 1871, the government gave 129,000,000 acres of Federal land to the railroads; and after the passage of the Homestead Act of 1862, a free farm awaited every pioneer who traveled westward in his covered wagon.

This policy of free farms was forced by popular pressure. At the Chicago Republican convention which nominated Lincoln, wildest applause greeted the reading of the homestead

plank, which embodied the agitation of forty years. In the ensuing campaign the "vote yourself a farm" argument was emphasized in the rural districts of the North much more than the slavery issue. The inducement of free farms, with the promise of a railroad to the Pacific, brought the restless agrarians flocking to the new party.

Scarcely any one would question the wisdom of the original Homestead Act as a means of settling the West, even though it led quickly to overexpansion in farming. But the supply of homesteads was not endless and the last of the more valuable land was taken decades ago. Long after all the profitable farm and ranch land had been given away, people were still allowed to wreck their hopes upon land that was definitely submarginal. Ill-advised reclamation projects also contributed to land exploitation as well as to the economic ruin of thousands of farmers. The desire to make the desert "blossom as the rose" caught the popular imagination, and the Federal Government obligingly financed the damming of streams and the draining of crayfish swamps for squatter residents or promoters who knew how to pull Congressional strings. In some instances large benefits came from this work, but many of those who settled on irrigated land were unable to pay their water charges and lost their farms to speculators.

The principal factors in land exploitation, however, have been the rapid depletion of American forests and the needless plowing of pasture land, both of which have contributed heavily to erosion and consequent floods and droughts. In periods of high prices for farm products, especially during and immediately after the World War, the amount of land under cultivation has been enormously expanded. Until recently our crop land was increasing at the rate of about 4,500,000 acres a year. About one-third of this increase came from timber; the remainder was taken from grazing land, which since 1880 has shrunk by 189,000,000 acres.

Within the last few years the physical wearing out of farm soil has become more apparent because of world economic trends which themselves have contributed to the increase in submarginal land. The loss of foreign markets for American farm products has depressed prices and thus turned into waste land millions of acres formerly considered profitable. Except in the worst depression years, those who had the advantage of rich soil, mechanized production and relatively large-scale operation have been able to show a profit, even at lower selling prices for their products, but a multitude who sought a living from clay hillsides, tilled by laborious hand methods, have had to leave their sorry acres to further ruin by weeds, wind and water.

Hundreds of thousands of these abandoned farms, in addition to large areas of cut-over forest land, have come into possession of the various States through tax delinquency. In Mississippi alone 60,000 farms were expropriated for non-payment of taxes in the first three quarters of 1932. In Michigan the State owns 3,000,000 acres of land that has been offered for sale for taxes and retained in the absence of private bidders. In Florida nearly 2,000,000 acres have reverted to the State through tax delinquency. Nearly all the States have experienced a severe shrinkage in rural property taxes and have become burdened with a bewildering volume of land which they cannot sell or even give away.

The present problem is to take out of cultivation, temporarily at least, that land which can be farmed only at a loss and to devote it to a more sensible use. Linked with this problem are those of combating erosion, preventing floods, restoring lost forests, establishing game refuges and adding to the nation's recreational areas. In the days when prosperity sprouted from the ticker-tape, scarcely any attention was paid to such matters, but they cannot any longer be overlooked.

Although most people were unaware of the need of land retirement and soil conservation until the 1934 drought and subsequent dust storms led to the proposal for a gigantic shelter belt, farm economists for more than a decade had been advocating the adoption of a policy of scientific land utilization.The launching of such a program was looked upon as imperative by the National Agricultural Conference of 1922 and later by the Business Men's Commission on Agriculture, whose report was published jointly in 1927 by the National Industrial Conference Board and the Chamber of Commerce of the United States.

A conference on land utilization in 1931 asked the Reclamation Service to confine its efforts to the completion of projects already started and took steps to further the classification and proper use of land. Henry A. Wallace, before the 1932 national party conventions, outlined a platform for farm relief, in which one of six planks read: "End reclamation projects and begin an extensive program of buying up poor land for reforestation." Although submerged by other issues that seemed more urgent at the time, land utilization was advocated by both major parties in the 1932 Presidential campaign.

A plank in the Republican platform favored a policy of land use that would look to national needs. Such a policy, this plank explained, "must foster reorganization of tax units in areas beset by tax delinquency and divert lands that are submarginal for crop production to other uses. The national welfare plainly can be served by the acquisition of submarginal lands for watershed protection, grazing, forestry, public parks and game reserves." In his Des Moines speech President Hoover specifically approved this plank.

The views of the Democratic candidate on land utilization and reforesting were made equally plain. In his Atlanta campaign speech Mr. Roosevelt declared that "in most of the States east of the Mississippi it will undoubtedly be determined that somewhere between 10 and 20 per cent of existing farm acreage now used for agricultural crops should be abandoned as such and converted into use for tree crops."

Some steps had already been taken toward curbing the process of land exploitation. In the Nineties large forest tracts were withdrawn from the lands available for homesteading, and later the efforts of Theodore Roosevelt and Gifford Pinchot did much toward awakening the public to the need for putting a brake upon the squandering of the nation's natural wealth. Theodore Roosevelt withdrew from the disposable public domain large areas of forests, phosphate lands, potential coal lands and potential power sites.

Before the advent of the New Deal administration several States also made important beginnings in land conservation and reforestation. New Jersey, Pennsylvania, Michigan and other States undertook extensive tree planting, and in 1931 New York vot-

ers ratified a State Constitutional amendment calling for an appropriation of $19,000,000, spread over a period of eleven years beginning with 1932, for an ambitious program of reforestation. This money is being used in buying more than a million acres in designated counties and planting the land in forests. The areas being acquired are abandoned farm lands classified as submarginal and will account for about one-fourth of the State's deserted farms.

Yet, despite these beginnings, the land problem was one of the most serious and least understood of the issues confronting President Roosevelt when he was inaugurated in 1933. We appeared to be within a generation of a timber famine and countless gullies were robbing abandoned farms of their remaining topsoil. The traditional policy of quick land exploitation had left a wake of rural wreckage, both material and human. Considering the bank panic and the other emergency situations that required immediate attention from the Roosevelt administration, it is amazing that the problem of land received as much attention as it did in the early stages of the New Deal. As Governor of New York, however, Mr. Roosevelt had become impressed with the importance of reforestation, and his Secretary of Agriculture realized the need for long-range land planning as well as for emergency farm relief.

Without the ballyhoo and street parades that marked the hatching of the Blue Eagle, several important steps have been taken in giving effect to a far-sighted policy of land utilization. The Civilian Conservation Corps, formed with unexpected promptness, already has added millions of dollars to the value of the nation's forests and has undertaken projects to control erosion and floods in many States. This work has met with almost universal approval and the corps appears destined to become a permanent organization.

Other steps taken toward the conservation of land resources include the extension of land surveys, the curbing of overgrazing on the public domain by the Taylor act of 1934, the withdrawal of public lands from homestead entry by an order of the President in February, 1935, and the adoption of a vast program of land purchase which already has brought several million acres of worn-out farms back to the Federal Government. Preventive work is being done by teaching farmers the value of terracing and of crop rotation. Land conservation is also served incidentally by the emergency program of acreage reduction, which involves the return of crop land to pasture and thus helps to protect it against erosion.

Perhaps the most important step of all was the President's appointment of the Land Resources Board, which undertook for the first time in American history to make a careful inventory of the nation's physical assets and a scientific study of the problem of their conservation and use. The board, headed by Harold L. Ickes and assisted by a staff of experts, reported to the President in December, 1934.

This report constitutes a well-documented and reliable guide for those who must formulate new policies for the use of land, water, minerals and hydro-electric power. Only the recommendations on land use are mentioned here, but these call for a severe overhauling of the lax land policies which have prevailed for generations. The principal recommendation is that a land-purchase program, to secure more effective use of areas than is probable under private ownership, be

undertaken over a term of years, involving continued retirement of submarginal lands at the rate of about 5,000,000 acres a year for about fifteen years; additions to the National and State forests; additional wild-life refuges; additional National and State parks and purchase of areas within existing National park boundaries; enlargement of Indian reservations, and squaring out or blocking up delinquent tax areas in cooperation with States enacting suitable legislation concerning State and county titles to tax-delinquent lands.

The enormous patronage of dude ranches and seaside resorts, even in years of depression, suggests that the conversion of suitable areas into recreational parks for people of small incomes would meet with favor. Many people have more leisure than formerly, and the growing network of hard roads enables them to travel more easily from noisy cities to woodland and lakeside. Linked closely with the recreational aspect of land utilization is the protection of wild life. The combination of land exploitation and ruthless shooting and fishing has made some forms of game extinct and others extremely rare. The needless draining of 17,000,000 acres of lake, marsh and river-bottom land in the North Central States, for example, has had a devastating effect upon the supply of wild ducks and geese. We have more hunters than ever before, but less game.

Yet, despite the enormous depletion which has been effected, the meat, fur and feather value of wild animals and birds in the United States is estimated at $190,000,000 a year. American hunters spend $158,000,000 a year on equipment; other expenditures arising from hunting and fishing, including the maintenance of numerous clubs, are estimated at $254,000,000 a year. If polluted streams could be purified and stocked with fish, if wild ducks and geese could be given a new lease of life, and if antelope and bighorn sheep could be enabled to roam again over large areas of the country a new land policy might become economically important in addition to providing for many thousands a new world of recreation and sport.

The land program advocated by the National Resources Board already has been approved in part, and Rexford G. Tugwell has been given charge of the conservation projects already undertaken. With money appropriated for public works further steps are expected to be taken toward carrying out a long-range policy of conservation to counteract the exploitation of the past. The principal discouraging factor now is the danger lest political pressure from reclamation promoters may induce Congress to spoil the effect of land conservation measures by continuing to squander hundreds of millions of dollars in irrigating deserts and sending more families to their economic doom. In the spending spree of the last two years Congress has made enormous appropriations for additional projects of this type, and it may be some time before the voracity of land speculators is successfully resisted.

In general, however, land economists have good reason to be hopeful. The idea is spreading that the United States has reached maturity as far as its physical assets are concerned, and that the future demands conservation and such replacement as may be possible. In the past there has been a continuous shaking of plums from the public domain; yet even a plum tree may sometimes require careful nurture and judicious pruning.

A Negro Nation Within the Nation

By W. E. B. Du Bois*

No more critical situation ever faced the Negroes of America than that of today—not in 1830, nor in 1861, nor in 1867. More than ever the appeal of the Negro for elementary justice falls on deaf ears.

Three-fourths of us are disfranchised; yet no writer on democratic reform, no third party movement says a word about Negroes. The Bull Moose crusade in 1912 refused to notice them; the La Follette uprising in 1924 was hardly aware of them; the Socialists still keep them in the background. Negro children are systematically denied education; when the National Education Association asks for Federal aid to education it permits discrimination to be perpetuated by the present local authorities. Once or twice a month Negroes convicted of no crime are openly and publicly lynched, and even burned; yet a National Crime Convention is brought to perfunctory and unwilling notice of this only by mass picketing and all but illegal agitation. When a man with every qualification is refused a position simply because his great-grandfather was black there is not a ripple of comment or protest.

Long before the depression Negroes in the South were losing "Negro" jobs, those assigned them by common custom—poorly paid and largely undesirable toil, but nevertheless life-supporting. New techniques, new enterprises, mass production, impersonal ownership and control have been largely displacing the skilled white and Negro worker in tobacco manufacturing, in iron and steel, in lumbering and mining, and in transportation. Negroes are now restricted more and more to common labor and domestic service of the lowest paid and worst kind. In textile, chemical and other manufactures Negroes were from the first nearly excluded, and just as slavery kept the poor white out of profitable agriculture, so freedom prevents the poor Negro from finding a place in manufacturing. The world-wide decline in agriculture has moreover carried the mass of black farmers, despite heroic endeavor among the few, down to the level of landless tenants and peons.

The World War and its wild aftermath seemed for a moment to open a new door; 2,000,000 black workers rushed North to work in iron and steel, make automobiles and pack meat, build houses and do the heavy toil in factories. They met first the closed trade union which excluded them from the best-paid jobs and pushed them into the low-wage gutter, denied them homes and mobbed them. Then they met the depression.

Since 1929 Negro workers, like white workers, have lost their jobs, have had mortgages foreclosed on their farms and homes, have used up

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their small savings. But, in the case of the Negro worker, everything has been worse in larger or smaller degree; the loss has been greater and more permanent. Technological displacement, which began before the depression, has been accelerated, while unemployment and falling wages struck black men sooner, went to lower levels and will last longer.

Negro public schools in the rural South have often disappeared, while Southern city schools are crowded to suffocation. The Booker Washington High School in Atlanta, built for 1,000 pupils, has 3,000 attending in double daily sessions. Above all, Federal and State relief holds out little promise for the Negro. It is but human that the unemployed white man and the starving white child should be relieved first by local authorities who regard them as fellow-men, but often regard Negroes as subhuman. While the white worker has sometimes been given more than relief and been helped to his feet, the black worker has often been pauperized by being just kept from starvation. There are some plans for national rehabilitation and the rebuilding of the whole industrial system. Such plans should provide for the Negro's future relations to American industry and culture, but those provisions the country is not only unprepared to make but refuses to consider.

In the Tennessee Valley beneath the Norris Dam, where do Negroes come in? And what shall be their industrial place? In the attempt to rebuild agriculture the Southern landholder will in all probability be put on his feet, but the black tenant has been pushed to the edge of despair. In the matter of housing, no comprehensive scheme for Negro homes has been thought out and only two or three local projects planned. Nor can broad plans be made until the nation or the community decides where it wants or will permit Negroes to live. Negroes are largely excluded from subsistence homesteads because Negroes protested against segregation, and whites, anxious for cheap local labor, also protested.

The colored people of America are coming to face the fact quite calmly that most white Americans do not like them, and are planning neither for their survival, nor for their definite future if it involves free, self-assertive modern manhood. This does not mean all Americans. A saving few are worried about the Negro problem; a still larger group are not ill-disposed, but they fear prevailing public opinion. The great mass of Americans are, however, merely representatives of average humanity. They muddle along with their own affairs and scarcely can be expected to take seriously the affairs of strangers or people whom they partly fear and partly despise.

For many years it was the theory of most Negro leaders that this attitude was the insensibility of ignorance and inexperience, that white America did not know of or realize the continuing plight of the Negro. Accordingly, for the last two decades, we have striven by book and periodical, by speech and appeal, by various dramatic methods of agitation, to put the essential facts before the American people. Today there can be no doubt that Americans know the facts; and yet they remain for the most part indifferent and unmoved.

The main weakness of the Negro's position is that since emancipation he has never had an adequate economic foundation. Thaddeus Stevens recognized this and sought to transform the emancipated freedmen into peasant proprietors. If he had succeeded, he would have changed the economic history of the United States and perhaps saved the American farmer from

his present plight. But to furnish 50,000,000 acres of good land to the Negroes would have cost more money than the North was willing to pay, and was regarded by the South as highway robbery.

The whole attempt to furnish land and capital for the freedmen fell through, and no comprehensive economic plan was advanced until the advent of Booker T. Washington. He had a vision of building a new economic foundation for Negroes by incorporating them into white industry. He wanted to make them skilled workers by industrial education and expected small capitalists to rise out of their ranks. Unfortunately, he assumed that the economic development of America in the twentieth century would resemble that of the nineteenth century, with free industrial opportunity, cheap land and unlimited resources under the control of small competitive capitalists. He lived to see industry more and more concentrated, land monopoly extended and industrial technique changed by wide introduction of machinery.

As a result, technology advanced more rapidly than Hampton or Tuskegee could adjust their curricula. The chance of an artisan's becoming a capitalist grew slimmer, even for white Americans, while the whole relation of labor to capital became less a matter of technical skill than of basic organization and aim.

Those of us who in that day opposed Booker Washington's plans did not foresee exactly the kind of change that was coming, but we were convinced that the Negro could succeed in industry and in life only if he had intelligent leadership and far-reaching ideals. The object of education, we declared, was not "to make men artisans but to make artisans men." The Negroes in America needed leadership so that, when change and crisis came, they could guide themselves to safety.

The educated group among American Negroes is still small, but it is large enough to begin planning for preservation through economic advancement. The first definite movement of this younger group was toward direct alliance of the Negro with the labor movement. But white labor today as in the past refuses to respond to these overtures.

For a hundred years, beginning in the Thirties and Forties of the nineteenth century, the white laborers of Ohio, Pennsylvania and New York beat, murdered and drove away fellow-workers because they were black and had to work for what they could get. Seventy years ago in New York, the centre of the new American labor movement, white laborers hanged black ones to lamp posts instead of helping to free them from the worst of modern slavery. In Chicago and St. Louis, New Orleans and San Francisco, black men still carry the scars of the bitter hatred of white laborers for them. Today it is white labor that keeps Negroes out of decent low-cost housing, that confines the protection of the best unions to "white" men, that often will not sit in the same hall with black folk who already have joined the labor movement. White labor has to hate scabs; but it hates black scabs not because they are scabs but because they are black. It mobs white scabs to force them into labor fellowship. It mobs black scabs to starve and kill them. In the present fight of the American Federation of Labor against company unions it is attacking the only unions that Negroes can join.

Thus the Negro's fight to enter organized industry has made little headway. No Negro, no matter what his ability, can be a member of any

of the railway unions. He cannot be an engineer, fireman, conductor, switchman, brakeman or yardman. If he organizes separately, he may, as in the case of the Negro Firemen's Union, be assaulted and even killed by white firemen. As in the case of the Pullman Porters' Union, he may receive empty recognition without any voice or collective help. The older group of Negro leaders recognize this and simply say it is a matter of continued striving to break down these barriers.

Such facts are, however, slowly forcing Negro thought into new channels. The interests of labor are considered rather than those of capital. No greater welcome is expected from the labor monopolist who mans armies and navies to keep Chinese, Japanese and Negroes in their places than from the captains of industry who spend large sums of money to make laborers think that the most worthless white man is better than any colored man. The Negro must prove his necessity to the labor movement and that it is a disastrous error to leave him out of the foundation of the new industrial State. He must settle beyond cavil the question of his economic efficiency as a worker, a manager and controller of capital.

The dilemma of these younger thinkers gives men like James Weldon Johnson a chance to insist that the older methods are still the best; that we can survive only by being integrated into the nation, and that we must consequently fight segregation now and always and force our way by appeal, agitation and law. This group, however, does not seem to recognize the fundamental economic bases of social growth and the changes that face American industry. Greater democratic control of production and distribution is bound to replace existing autocratic and monopolistic methods.

In this broader and more intelligent democracy we can hope for progressive softening of the asperities and anomalies of race prejudice, but we cannot hope for its early and complete disappearance. Above all, the doubt, deep-planted in the American mind, as to the Negro's ability and efficiency as worker, artisan and administrator will fade but slowly. Thus, with increased democratic control of industry and capital, the place of the Negro will be increasingly a matter of human choice, of willingness to recognize ability across the barriers of race, of putting fit Negroes in places of power and authority by public opinion. At present, on the railroads, in manufacturing, in the telephone, telegraph and radio business, and in the larger divisions of trade, it is only under exceptional circumstances that any Negro, no matter what his ability, gets an opportunity for position and power. Only in those lines where individual enterprise still counts, as in some of the professions, in a few of the trades, in a few branches of retail business and in artistic careers, can the Negro expect a narrow opening.

Negroes and other colored folk, nevertheless, exist in larger and growing numbers. Slavery, prostitution to white men, theft of their labor and goods have not killed them and cannot kill them. They are growing in intelligence and dissatisfaction. They occupy strategic positions, within nations and besides nations, amid valuable raw material and on the highways of future expansion. They will survive, but on what terms and conditions? On this point a new school of Negro thought is arising. It believes in the ultimate uniting of mankind and in a unified American nation, with economic classes and racial barriers leveled, but it believes this is an ideal

and is to be realized only by such intensified class and race consciousness as will bring irresistible force rather than mere humanitarian appeals to bear on the motives and actions of men.

The peculiar position of Negroes in America offers an opportunity. Negroes today cast probably 2,000,000 votes in a total of 40,000,000, and their vote will increase. This gives them, particularly in Northern cities, and at critical times, a chance to hold a very considerable balance of power, and the mere threat of this being used intelligently and with determination may often mean much. The consuming power of 2,800,000 Negro families has recently been estimated at $166,000,000 a month—a tremendous power when intelligently directed. Their man power as laborers probably equals that of Mexico or Yugoslavia. Their illiteracy is much lower than that of Spain or Italy. Their estimated per capita wealth about equals that of Japan.

For a nation with this start in culture and efficiency to sit down and await the salvation of a white God is idiotic. With the use of their political power, their power as consumers, and their brain power, added to that chance of personal appeal which proximity and neighborhood always give to human beings, Negroes can develop in the United States an economic nation within a nation, able to work through inner cooperation, to found its own institutions, to educate its genius, and at the same time, without mob violence or extremes of race hatred, to keep in helpful touch and cooperate with the mass of the nation. This has happened more often than most people realize, in the case of groups not so obviously separated from the mass of people as are American Negroes. It must happen in our case, or there is no hope for the Negro in America.

Any movement toward such a program is today hindered by the absurd Negro philosophy of Scatter, Suppress, Wait, Escape. There are even many of our educated young leaders who think that because the Negro problem is not in evidence where there are few or no Negroes, this indicates a way out! They think that the problem of race can be settled by ignoring it and suppressing all reference to it. They think that we have only to wait in silence for the white people to settle the problem for us; and finally and predominantly, they think that the problem of 12,000,000 Negro people, mostly poor, ignorant workers, is going to be settled by having their more educated and wealthy classes gradually and continually escape from their race into the mass of the American people, leaving the rest to sink, suffer and die.

Proponents of this program claim, with much reason, that the plight of the masses is not the fault of the emerging classes. For the slavery and exploitation that reduced Negroes to their present level or at any rate hindered them from rising, the white world is to blame. Since the age-long process of raising a group is through the escape of its upper class into welcome fellowship with risen peoples, the Negro intelligentsia would submerge itself if it bent its back to the task of lifting the mass of people. There is logic in this answer, but futile logic.

If the leading Negro classes cannot assume and bear the uplift of their own proletariat, they are doomed for all time. It is not a case of ethics; it is a plain case of necessity. The method by which this may be done is, first, for the American Negro to achieve a new economic solidarity.

There exists today a chance for the Negroes to organize a cooperative State within their own group. By letting Negro farmers feed Negro artisans, and Negro technicians guide Negro home industries, and Negro thinkers plan this integration of cooperation, while Negro artists dramatize and beautify the struggle, economic independence can be achieved. To doubt that this is possible is to doubt the essential humanity and the quality of brains of the American Negro.

No sooner is this proposed than a great fear sweeps over older Negroes. They cry "No segregation"—no further yielding to prejudice and race separation. Yet any planning for the benefit of American Negroes on the part of a Negro intelligentsia is going to involve organized and deliberate self-segregation. There are plenty of people in the United States who would be only too willing to use such a plan as a way to increase existing legal and customary segregation between the races. This threat which many Negroes see is no mere mirage. What of it? It must be faced.

If the economic and cultural salvation of the American Negro calls for an increase in segregation and prejudice, then that must come. American Negroes must plan for their economic future and the social survival of their fellows in the firm belief that this means in a real sense the survival of colored folk in the world and the building of a full humanity instead of a petty white tyranny. Control of their own education, which is the logical and inevitable end of separate schools, would not be an unmixed ill; it might prove a supreme good. Negro schools once meant poor schools. They need not today; they must not tomorrow. Separate Negro sections will increase race antagonism, but they will also increase economic cooperation, organized self-defense and necessary self-confidence.

The immediate reaction of most white and colored people to this suggestion will be that the thing cannot be done without extreme results. Negro thinkers have from time to time emphasized the fact that no nation within a nation can be built because of the attitude of the dominant majority, and because all legal and police power is out of Negro hands, and because large-scale industries, like steel and utilities, are organized on a national basis. White folk, on the other hand, simply say that, granting certain obvious exceptions, the American Negro has not the ability to engineer so delicate a social operation calling for such self-restraint, careful organization and sagacious leadership.

In reply, it may be said that this matter of a nation within a nation has already been partially accomplished in the organization of the Negro church, the Negro school and the Negro retail business, and, despite all the justly due criticism, the result has been astonishing. The great majority of American Negroes are divided not only for religious but for a large number of social purposes into self-supporting economic units, self-governed, self-directed. The greatest difficulty is that these organizations have no logical and reasonable standards and do not attract the finest, most vigorous and best educated Negroes. When all these things are taken into consideration it becomes clearer to more and more American Negroes that, through voluntary and increased segregation, by careful autonomy and planned economic organization, they may build so strong and efficient a unit that 12,000,000 men can no longer be refused fellowship and equality in the United States.

The Passing of Personality

By WALTER BROMBERG*

NATIONAL ideas and ideals have so altered during the past five years that we seem to have gone through a social revolution. In political, academic, scientific and social life there is abundant evidence of such change. One sign is to be seen in the passing of the "personality" fad. "Personality" was once prized as the greatest asset of those who struggle for fame or fortune, and the so-called science on which it was based had in consequence a publicity all its own.

What has become of the once highly prized "magnetic" personality? What has happened to the belief in the miracles of psychology? Where are the efficiency engineers of yesteryear, and the popular psychologists who overran the lecture platforms and filled the bookstores with their written discourse? Where are the gaudy texts of the seers who expounded Personality Development? Whither have gone the inspirational leaders, those men who devoted their lives to coaxing out of us the mental powers lurking in our subconscious? Today, except for a few stragglers, they have vanished like last Winter's snow, and public interest in psychology has waned.

Since the economic depression has distorted our social perspective, it is hard to understand how deeply we were absorbed in popular psychology during the Nineteen Twenties and how gullible many of us were in accepting its claims and promises. In the postwar decade, though social and economic problems were discussed, it was without that uneasy feeling of imminent change or urgency which underlies our present anxieties. Even among the intelligentsia, psychology held first place as a topic of interest. The language of the period was enriched and modified by a new vocabulary. There was much talk of inferiority and superiority complexes, of over-compensations and repressed longings. One took pride in the ability to analyze associates in terms of moron, subconscious thoughts and intelligence quotients. The influence of the new psychology extended even to the stage, and in 1918 Susan Glaspell's play, *Suppressed Desires,* had a great run. People rocked with laughter at the symbolism involved in the hero's name, Stephen B-*rewster*, and his wife, ***Hen***rietta, and her barnyard dreams.

The lessons of "modern" psychology, moreover, seemed to coincide with what went on in daily life. Perhaps the realism emphasized by the World War made people more receptive to the trends in psychology. Certainly the reaction from pre-war idealism prepared the new generation for acceptance of the startling and often personal tenets of modern psychology. As a result the science flourished.

Psychology, it was believed, was a study that could enlighten us on all manner of emotional, social and even industrial problems. There was something tangible in psychology, something redeemable in dollars and cents.

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Perhaps, after all, science could pay for itself. The introduction of Personality into psychology made doubly sure that this particular science could be put on a profitable basis.

The social significance of the discovery of personality is not to be underestimated. Once personality had shown the way to the cash value of psychology, big business assumed control of the "science." Personality was more to be desired than the Presidency. It led to the rarefied heights of supersalesman and executive, and to what was fondly and reverently referred to as "big money." Since every one had the rudiments of personality, all that was required was to develop it. In a way this interest in psychology was analogous to the sudden emphasis upon the study of foreign languages. Spanish, for example, became the golden tongue when the limitless markets of South America beckoned our youth with the promise that devotion to study would bring substantial rewards. Fashion in education seems to follow economic trends, just as science, to some degree, follows social changes.

In the Nineteen Twenties a philosophy was needed to explain our national greatness. The psychology of personality supplied this need, and industry, discovering the "human" factor in business, gave the new science its blessing. Looking backward, it is easy to see that economic factors alone did not raise the United States to its 1928 pinnacle of industrial activity. The feeling of expansiveness and confidence that swept through the masses played an enormous part—it was exuberance backed by the explanations of "practical" science. When psychology concerned itself with personality it touched upon a crucial matter.

Psychology, of course, has always been concerned with problems of personality. Formerly, when the science was inextricably entangled with philosophy, personality had a religious, almost moral, connotation. Medieval philosophy thought of personality as identity with God, hence "realization of self," self-consciousness. This doctrine of personal identity is still to be found in such inspirational books as *Personal Friendship With Jesus* (1897). During the latter part of the nineteenth century the work of introspectionist and experimental psychologists somewhat clarified the position of personality in psychology; at least, it was more accurately defined. Men like Prince, Sidis and James in the United States and Charcot, Forel and Bernheim in Europe studied personality through cases of multiple personality and hysteria. Their researches went to show that the human ego was a vast force that could be extended or cramped according to an individual's opportunities and mental endowments.

In the search for further sidelights on personality, pure psychology was deserted in favor of cognate branches of medical science. The study of heredity offered but slight help. Some years ago research by Kretschmer disclosed a relationship between physique and mental make-up that was confirmed by other students. He described what he called the "pyknic" type—a man, short, squarish, stocky, strong, usually obese and bald—who is an aggressive, social fellow, a doer and a go-getter in the world of men. Another, the "asthenic" type, is tall, lean, loose-muscled, long-haired and gentle —a thinker, a planner, a dreamer and a poet in the world of fantasy. Other physicians, more recently, have described types of physique that are prone to certain diseases—the "tuberculosis" or the "gall-bladder" indi-

vidual—as well as certain states of mind. The older medical science had some such idea when it spoke of the sanguine temperament, the phlegmatic, the choleric or the melancholic, depending on the distribution of the four bodily humors. All these discoveries are today of considerable importance in practical psychiatric work.

Related to this study of physique as an indicator of mental make-up is the problem of the ductless or endocrine glands. In rapid succession a series of brilliant studies within the past quarter century has established the functions of the various glands of the body whose balanced performance is necessary for a normally healthy individual. When the thyroid or pituitary, for instance, does not secrete properly there results a fundamental mental change which may go so far as to produce idiocy. Some of the earlier writers overstepped the bounds of scientific propriety and proclaimed that the search for the cause of human behavior had been ended by the discovery of the gland secretions. They held that we had only to find the deficient or overactive gland and to treat it to correct personality quirks.

Gland treatments were hailed in the early Nineteen Twenties as a cure for delinquent children. A book on *Glands and Personality* founded a science of human behavior based on the action of glands. Gland therapy replaced the "nerve tonics" of twenty years ago as revitalizers extraordinary. Personality could be varied according to whether one used thyroid or ovarian pills. Although controversy still rages, most careful observers now feel that endocrinology has a much more limited application than was claimed for it.

There are other schools of personality. The behaviorists insist upon the influence of environment on the developing personality. Geneticists have gone to the first hours of the infant to look for signs of budding personality. Biochemists have searched the bloodstream for chemical clues; pathologists have examined the tissues of the body; biologists have scrutinized the germ-cells for a satisfactory answer to the riddle of personality. Vocational psychologists have gathered data on handwriting, self-analysis, work achievement, training, and so forth. Then there is the science of "psychography," a laboratory method of measuring personality by recording mental capacities under fixed standard conditions of performance. But undoubtedly the best source of knowledge of personality is based on psychiatric study. The developments of psychoanalysis have provided information and a point of view that have illuminated the origins of personality which were previously regarded as only propitious or hereditary traits.

These are the ways by which psychological science approached the study of personality. How was this interest transferred to the general public? There have always been lecturers and popularizers who have exploited the various aspects of psychology. Their audiences are composed in the main of neurotics who look on high for signs of deliverance from the torment of their frustrations and inner conflicts. This group was fed, for example, by the gentle Coué, who came from France with his message of success for those willing to repeat his formula, "Day by day in every way, I am getting better and better." His devotees flocked to his lectures and grew ecstatic over his maxims. Autosuggestion—actually an impossibility because "suggestion" must come from an outside source—swept the country. In reality, Coué did the suggesting and his patients imagined that theirs were the potent minds.

Coué was not alone. There were a number of domestic products in the field. One of them, a woman, who appeared on the lecture platform before a backdrop glowing with the color of rosy dawn, taught her audience to chant, in answer to her "How are you?" "Fine and dandy, why shouldn't I be?" And there was another popular lecturer, who in his heyday ten years ago taught the doctrine of "Body-rebuilding, Personality and Rejuvenation." Most of this group utilized some physical exercise, such as deep breathing, to usher in their mental "work."

The group of popular psychologists concerned only with mental troubles worked on the theory of the unexplored region of the mind—the subconscious—and its power over the conscious mind. By harnessing the powers of the subconscious, one could rise to undreamed-of heights. The repressed, the inhibited, the fearful were held spellbound at the prospect. A fuller life and more income was the oasis painted on the desert of mediocrity. This kind of persuasion had a strong appeal chiefly because it was enveloped by an air of authority and veneration. In the last analysis, these were ways of catering to the wish-fulfillment tendencies of the handicapped and the neurotic. Neurotics, tormented by vacillation, are always glad to submit to the voice of authority.

In addition to the "mental" group, there were teachers who applied the weapon of the Will to the building of Personality. The "Will to Do" and the "Will to Succeed" camp had many advocates. F. C. Haddock serves as a good example. In 1910 he wrote *The Personal Atmosphere*, sub-titled, *Ten Studies in Poise and Power;* in 1923 he republished it, and added another work, *Power of the Will—A Practical Companion Book for Unfolding the Powers of the Mind.* These books, it is said, sold 558,000 copies!

Haddock's philosophy was based on the principle that "the basic idea of person is self-determined unfoldment. The will must take itself in hand for the greatest personal completeness." And the usual practical aspect is found in the foreword: "For the service of a sound soul the universe will pay any price." With this starting-point Haddock drops all pretense of developing personality as we know it and hammers away at the Will. For mental illnesses such as "mind wandering, stuttering, slang, indecision, want of opinion and opinionatedness," he counsels, "*will* not to do it." His rules for daily practice are at least positive if not easy: "Rule 1. Do not indulge in reverie. Cultivate the mood of expectancy. Demand health, demand luxuries, DEMAND * * * ATTENTION TO THE KING ON HIS THRONE—The King is WILL."

Such an approach is also adopted by M. H. Howie of the American Educational Institute. His brochure starts with the dedication: "Will and Work are sure to Win. Wishes fail but Will Prevails. Often the struggler has given up, when he might have captured the victor's cup."

There are others, like William Clark, whose methods of personality development lead through the cultivation of memory. In his teaching, however, he does not neglect the various arts of phrenology and physiognomy reading. Where Haddock appealed to the basis of human action, the will, Clark proceeded on a more tangible basis. We see this in his book published in 1920, *Power and Force: The Practical Application of Memory in Reading to Character and Personality in Business and Social Life.* A few of his chapter heads are: "Processes of Memory"; "Remembering Names

and Faces"; "Character Reading From the Nose, Mouth, Chin and Ears."

Some writers were more emotional. Florenz Norris in 1927 wrote a book extolling a Pollyanna brand of happiness and announcing that a "Winning Personality is worth a Million Dollars to you." Another psychologist, T. H. Pear, rediscovered the fact that the voice expresses the emotions; his volume was called *Voice and Personality* (1931). In Germany a man named Binsky mystified scientists by his electrical device which diagnosed personality traits by tapping certain parts of the skull. Shaftesbury brought out new editions of his work, *Personal Magnetism,* in which he insisted on the invincibility of the "magnetized" personality.

Innumerable examples of the technique of these public benefactors could be cited, but another factor was aiding the cause of popular psychology. This derived from the discovery of the "human factor." One offshoot of personality study developed into vocational psychology, while the introduction of the human factor into industry enlarged the scope of the efficiency engineer's work and brought personality into his realm. Big business began to see the value of psychology and in order to organize this new field properly, education was called on to help.

During the years after the war courses in industrial management and efficiency engineering were a prominent part of university curricula. In the engineering division of a metropolitan university the students were instructed in the art of developing a "boss psychology." They were taught to be aggressive, irresistible, forceful; they must know how to meet people and to hold their own. The students were given specific instruction on how to consort with the captains of industry. "Take success for granted, assert yourself; act, think, dream success and your personality will grow daily!" Such was the pabulum our young industrial leaders were fed. Classroom exercises dealt with the enactment of these principles. Many a former student recalls with embarrassment his first application of these principles in the outside world.

For guidance to the student's approach to business men the appended paradigm was given. It was designed to give the engineer an opportunity to pick the weak spot in the psychological armor of his adversary or sales-resistant customer. The quotation is reproduced from the notebook of a graduate in Business Science some ten years ago:

Type 1. The seriously serious; has no spark of humor, all earnestness.

Type 2. The seriously unserious; serious on the surface but not a bad fellow.

Type 3. The unseriously serious; a good fellow, serious when he has to be but a good type.

Type 4. The unseriously unserious; a dull individual, hard to understand or work with.

Besides the colleges every business school, Y. M. C. A. and settlement house gave courses in the psychology of salesmanship, the attitude of success, and so on. Book publishers poured out short-cuts to culture, outlines of knowledge, five-foot bookshelves, foreign languages in easy lessons and so on. The basis for the whole movement was the development and enlargement of the personality. Happily all this occurred in a rising market when youth had its chance and money flowed freely.

Thus Personality development grew among platform-psychologists and was legitimized by the aid of educational institutions. But in 1929, at the peak of activity, there was a sudden falling off in interest. Enthusiasm evap-

orated so rapidly and more or less so unexpectedly that one must look for some cause other than psychology itself.

There was a special reason arising out of the times. Remember that there have always been neurotics who feel the need of bolstering their inadequacy or rationalizing their failures through some sort of mental healing. These individuals, because of emotional conflicts, physical inadequacies or mediocrity, were never destined for success. Among them the personality "developers" found a rich harvest. On the other hand, when industry and business sanctioned Practical Psychology, even the average, well-adjusted person felt comfortable and secure in "improving" his personality.

Rugged individualism was renamed Personality; ordinary business intercourse was called "contacting"; salesmen and executives became "public relations" men; social attractiveness had a place in business and Personality was taken over by red-blooded men. With the spread of instalment buying and speculating for future profits, the whole subject of merchandising, of buying and selling was found to be psychological in nature. It appeared that the purchaser had a Personality as well as a pocketbook and that the seller had to develop a Personality. All this set in motion a legion of persons who taught salesmen and purveyors anew the essentials of practical psychology.

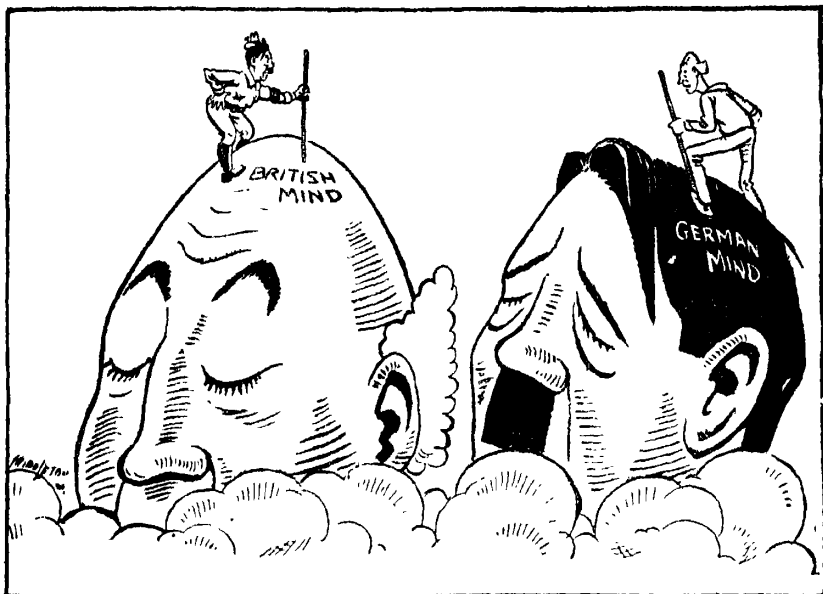
When prosperity faded, it seemed of little moment whether the subconscious powers were developed to the full or not. Ordinary shelter and daily bread became immediate and fundamental problems. In times of stress, of course, emphasis on expansive and luxurious living is relaxed. In psychological terms the cruder ego problems come closer to the surface because the very existence of the individual is threatened. Even people in comfortable circumstances have in the last few years experienced the terror of insecurity. The increased number of suicides among men who have met financial reverses and the large number of nervous breakdowns among business men are evidence on this point.

Individualism, therefore, in the sense of a continued expansion and growth of one's powers, becomes less important. If there is any common spirit abroad among people it will be more in the direction of community maintenance than of individual aggrandizement. This does not deny the fact that there remain a few careerists and psychopaths whose interest continues to be in themselves. But in the main, personal development as a significant force in our lives has lost its attractiveness. The money-making value of a Personality has declined, for a pleasing disposition no longer creates the fortune for its owner that might once be its reward. Characteristically, the American people, who always love a winner, have lost their interest in the art of developing a Personality. And since there is no market, the popularizers of psychology, those purveyors to the psychopaths, have found their stock turned to dust in their hands.

Once more the problem of personality is in the keeping of accredited psychologists, psychiatrists and students of human behavior. It is back in the clinic, hospital and laboratory where scientists are attacking the problem with vigor, aware of its complexity and disdainful of attempts at cheap and crude popularization.

Current History in Cartoons

The quick and the dead

—*The Sun,* Baltimore

The explorers

—*Birmingham Gazette*

Was her invitation omitted?

—*Glasgow Bulletin*

Mussolini—"Now I'll blow a real one"

—*Mucha,* Warsaw

Bolivia—"You are my prisoner!"
Paraguay—"Now I have you!"

—*Il* 420, Florence

An old air revised
—*Commercial Appeal,* Memphis

Trying to pull the fuse
—*Christian Science Monitor*

"Throw all that away and I'll make the country prosperous"
—*New York World-Telegram*

Two-Gun Huey
—*Philadelphia Inquirer*

How to keep it balanced?
—*St. Louis Post-Dispatch*

The conquering hero
—*Courier-Journal,* Louisville

Loaded
—*Columbus Dispatch*

The last bullet
—*Birmingham Age-Herald*

Trotting out the Trojan Horse
—*Richmond Times-Dispatch*

Thistle in the clover
—*St. Louis Star-Times*

"Want your budget balanced too?"
—*St. Louis Post-Dispatch*

The good neighbor
—*News and Observer*, Raleigh

Don't forget the departing voyager
—*Newark Evening News*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

Mar. 27—Japan formally leaves the League (334).
Apr. 11—Stresa Conference opens (286).
Apr. 17—League Council censors Germany for treaty violation (287)
Apr. 19—Starhemberg and Mussolini hold conversations.
May 2—France and Russia sign pact of mutual assistance (288).

The United States

Apr. 8—President Roosevelt signs relief bill (294).
Apr. 9—House passes McSwain War Profits Bill (292).
Apr. 10—President Roosevelt raises price government pays for silver (297).
Apr. 14—All outstanding Fourth Liberty bonds called (297).
Apr. 19—Social Security Bill passes House (295).
Apr. 24—Price of silver raised by President Roosevelt (297).
Apr. 28—President Roosevelt broadcasts to the nation (298).
May 2—Chamber of Commerce attacks New Deal (299).
May 3—Revolt breaks out in Philippines (299).
May 6—Supreme Court voids Railway Pension law (297).

Canada

Apr. 12—Report of Price Spreads Commission laid before Parliament (301).

Latin America

Apr. 7—Brazil places State of Para under military rule (304).
Apr. 13—President Cardenas of Mexico denies holding Communist views (305).

The British Empire

Mar. 28—Rural Mortgagors' Final Adjustment Bill passed by New Zealand House of Representatives (310).
Apr. 15—Budget introduced by Chancellor of Exchequer (307).
Apr. 17—Parliamentary Joint Select Commission concludes hearings on Western Australian secession (309).
May 6—Silver Jubilee begins in London (306).

France and Belgium

Apr. 13—French Colonial Conference ends (311).
Apr. 18—Belgian Parliament adjourns.

Germany

Apr. 13—Nazi leaders decide to fight German Protestants.
Apr. 18—Provincial Council elections held in the Netherlands (316).

Spain and Italy

Apr. 14—Spain celebrates fourth anniversary of the Republic (319).
May 3—Spanish Cabinet resigns (318).

Eastern Europe

Mar. 31—Apr. 6—Elections in Hungary (322).
Apr. 7—Elections in Danzig (320).
Apr. 18—Cabinet crisis in Bulgaria (323).
Apr. 23—Polish Constitution promulgated (321).

Northern Europe

Apr. 2—Foreign Ministers of Norway, Denmark and Sweden meet at Copenhagen (325).
Apr. 5—M. Kurkauskas succeeds M. Novakas as Governor of Memel (325).
May 3—Foreign Ministers of Latvia, Lithuania and Estonia meet at Kaunas (325).

Soviet Union

Apr. 9—Trade agreement signed between Soviet Union and Germany (326).
Apr. 10—Air-training ordered for all youths.

The Near and Middle East

Mar. 23-30—Women's Zionist conference at Tel-Aviv.
Apr. 9—Iraqi Parliament dissolved and general election ordered (330).
Apr. 10—University of Al Azhar in Cairo closed because of student disaffection (329).
Apr. 11—Egyptian Cabinet approves appointment of Sir Geoffrey Corbett as Commercial Adviser (330).
Apr. 18-24—International Woman Suffrage Congress meets at Istanbul (331).
Apr. 22—Ibrashi Pasha, Egyptian dictator, resigns (329).

The Far East

Apr. 6—Emperor Kang Teh of Manchukuo visits Japan.
Apr. 10—Manchukuoan oil monopoly becomes effective (335).
Apr. 16—American note protests Manchukuoan oil monopoly (336).
Apr. 23—China institutes compulsory military training for students (332).

Europe Fights for Peace

By ALLAN NEVINS

ALL European eyes turned early in April to the little Italian town of Stresa. But before we deal with the objects, procedure and results of the Stresa Conference, we must turn back to one occurrence in March which now proves to have been the subject of no little misrepresentation in the American press. This was Hitler's conversation with Sir John Simon in Berlin on March 25-26, in which he described Germany's policy with much frankness. No official or semi-official statement at that time clearly summarized Hitler's views, and the world was left at the mercy of a vast amount of mere rumor. It now appears that the reports which we quoted last month with a caution against their complete acceptance—the reports that Hitler had spoken of a plebiscite in Austria, a rectification of the Czechoslovak frontier and the return of part of the German colonies, as well as of German equality in armaments—went beyond the facts.

Sir John Simon in a statement to the House of Commons on April 9 described Hitler's position accurately, and it will help to clear the ground if we set it down in exact terms. Hitler did not say anything about a Czechoslovak frontier. Nor did he say anything about an Austrian plebiscite. He asserted instead that he would not reject the idea of a Central European compact designed to protect the independence of Austria; that is, he would not reject it in principle, though, as Sir John Simon added, "he did not see its necessity, and saw great difficulty in defining non-interference in relation to Austria." By this he meant that it would be hard to deal with German, French and Italian propaganda within Austrian borders, and with the use of foreign funds there.

Hitler's most definite statements had to do with armaments. He told Sir John Simon that Germany would require thirty-six divisions on land, representing a maximum of 550,000 soldiers of all formations. On the sea he thought Germany should have 35 per cent of the British tonnage. In the air the Reich would expect to hold a parity with Great Britain and with France, but no more, provided the Soviet air force did not become too large.

Germany, Hitler added, would forego any type of arms that all the other powers would agree to abandon, and agree to an international control of armaments if only a general system of limitation were devised. He repeated that he would support the Franco-British proposal of an air pact between the Locarno powers. As for the Eastern Locarno, Hitler was of course sternly against it. He declared that while Germany was willing to conclude bilateral non-aggression treaties, she would sign no treaty that embodied the principle of mutual assistance—which he termed "dangerous and objectionable."

This precise statement by Sir John Simon of Hitler's views is important because they prove to have been far more moderate in content, and far less threatening in tone, than the

news dispatches had originally indicated. There was no such crude saber-rattling as many American headlines ascribed to him. For menacing language we must go to Nazi leaders like the loose-tongued Dr. Goebbels, who has been asserting that "he who possesses the might gets the right."

It can be said, of course, that the somewhat exaggerated news reports were for the most part built on facts that were not exaggerated at all. It is well known that Hitler does desire an Austrian plebiscite, and the Nazi press constantly suggests it. It is well known that there is a vigorous party in Germany that wants the return of African colonies, whose sugar and cotton will help make Germany independent. Hitler himself, in the conversations with Sir John Simon, went so far as to refer to a statement of May, 1933, in which he spoke of the return of the colonies. It is well known that a constant German agitation is kept up for the rescue of German inhabitants of Poland and Czechoslovakia. When Sir John told the Commons that there was "a considerable divergence of opinion" between himself and Hitler, the phrase spoke volumes.

It must be emphasized, nevertheless, that Hitler in his statements of March 25-26 made no claims that cannot be discussed coolly and reasonably. A maximum land force of 550,000 men is, in view of Russia's force of 960,000, not preposterous. Hitler gave his word that there would be no para-military formations beyond this. Nor is a naval force of about 35 per cent of British tonnage beyond the limits of reasonable defense. What makes other nations nervous is of course Germany's air force. With German industrial equipment and the resourcefulness of a regimented nation of 65,000,000, it might quickly become a tremendous menace to civilization. But Hitler at least professes pacific intentions, and nothing has yet occurred to ruin the hope of re-establishing confidence, a sense of security and a love of peace in Europe. The road to such re-establishment lies through conference and discussion.

Stresa will never figure as a milestone on that road. The objects of the three-power conference held there were far from ambitious. They were, in fact, purely temporary objects, and no effort was made to grapple with the great fundamental problem now facing Europe, a problem that can be approached only after much exploration and deliberation. It is fairly accurate to say that the talks at Stresa were designed simply to warn Germany against hasty further action, and to calm the nerves of the rest of Europe. The primary objective of the conference was thus merely to show the German Government that the three former Allies—Great Britain, France and Italy—are still united to resist any overt threat to the peace of Europe.

Stanley Baldwin emphasized this objective in vigorous language just before the meeting began—language meant for the Germans who hoped to detach England from France. "Great Britain does not want war," he said, "and does not mean to have war, but if war can only be stopped by letting the aggressor know that war will not be permitted in Europe, this country will play her part." Few can have doubted the solid front of the three nations, but as a gesture of reassurance the conference was unquestionably useful.

A secondary objective at Stresa was to prepare the way for bringing the French complaint against German repudiation of the Versailles treaty before the League Council. Beyond this,

the grave problems posed by the total breakdown of the Disarmament Conference, and by Germany's momentous announcement on March 16 of her immediate rearmament, were postponed for future consideration.

The deliberations at Stresa lasted from April 11 to April 14. It is no great boast to say that the limited and evanescent objectives were successfully achieved. Amid elaborate police precautions—the Marseilles murders have taught Europe an impressive lesson—Prime Minister MacDonald, Sir John Simon, Premier Mussolini, Premier Flandin and Foreign Minister Laval conversed in a lovely setting of mountain and lake. On the last day of the gathering the world received without excitement a communiqué which summed up the principal decisions, decisions that had been expected from the beginning.

Great Britain and Italy solemnly reaffirmed their obligations as guarantors of the Locarno treaty. All three nations asserted their unity "in opposing by all practicable means the unilateral repudiation of treaties which may endanger the peace of Europe." The three powers also announced that they agreed upon the desirability of continuing negotiations for an Eastern Locarno, upon the desirability of consulting together instantly if any threat to Austrian independence appeared and upon a common line of action to be followed at Geneva in protesting against Germany's violation of the treaty. While the conference was still going on Mussolini announced his own pet project, a Danubian conference to be held in Rome on May 21.

The reaffirmation of Locarno, which may be counted the paramount result of the Stresa conference, has perhaps a greater significance than appears on the surface. It is important enough to demonstrate that the alignment for peace of the three great fully armed powers of Western Europe is still unbroken. But that is not all. One of the most important sections of the Locarno treaty, which Germany signed, provides that the demilitarized zone along the German Rhine shall be maintained. In fact, it was Germany herself that, in the negotiations preceding Locarno, proposed that this zone should be internationally guaranteed. Now, of course, Hitler is anxious to fortify his Rhine border, and thus protect the greatest industrial district of Germany. But so long as the Locarno treaty is maintained intact he cannot do so.

The remainder of the work at Stresa amounted to little. The protest against a "unilateral repudiation of treaties," for example, falls upon deaf ears in Germany, where it is maintained that the French and Italian failure to disarm constituted the first real breach of Versailles. And when it comes to treaty repudiation, there are too many glass houses around to make stone-throwing comfortable. The French Chamber, for example, several years ago gave the Mellon-Bérenger agreement a unilateral repudiation of the most high-handed sort.

Immediately after Stresa came the special meeting of the League Council on April 15. It had been summoned to hear the French indictment of the Reich. Fortunately for France, both Great Britain and Italy had agreed to support her. As we predicted last month, the French protest was regarded by various members of the Council with ill-concealed hostility. Technically, a good case can be made out for it. But some member States objected to seeing the League condemn Germany in a controversy the equities of which are by no means clear-cut. Others objected to a step

that could not but drive the Reich into a deeper hostility to the League. The action demanded by the French was taken reluctantly, with many misgivings and, even after the exertion of great pressure, without real unanimity.

Twice on April 15-16 the first public meeting of the Council had to be postponed. Efforts were being made behind the scenes to modify the terms of the French resolution censuring Germany, but they failed; and when the open meeting finally took place on the evening of April 16, it was presented in the form in which it came from Stresa. Condemning unilateral repudiation, it declared that Germany, by her re-armament, "has failed in the duty which lies on all the members of the international community" to respect their contractual obligations. The Polish delegate criticized the resolution caustically; Señor de Madriaraga of Spain showed unmistakable dislike for it. Other nations were displeased, but fell into line under the vigorous efforts of Britain and France. On April 17 it passed, with Denmark refusing to vote, and Poland surprising every one by acquiescing at the last moment. It cannot be said that it represented a moral victory for France.

The result on April 18-19 was an explosion of wrath in Germany. The press denounced in angry terms the arrogance of the Council in setting itself up as a judge of Germany, and declared that a return to Geneva had been made impossible. In this position it had the sympathy of Scandinavia, the Norwegian Foreign Minister saying that if his country had been on the Council it would have opposed the resolution. Ramsay MacDonald, on the day of the censure, speaking in the House of Commons, appealed to the German people to be reasonable and to "make an adequate contribution to building up mutual trust and confidence."

Hitler's response on April 20, his forty-sixth birthday, was a brusque and defiant retort. In a note of less than a hundred words, sent to all the nations which participated in the Council's action, he condemned the attempt to pass judgment on his nation. He declared that the German Government rejected the resolution "in the most resolute manner," and that it would later make known its position on the questions debated at the Geneva meeting.

While the public discussions were being held at Stresa and Geneva, and while Flandin, MacDonald and Hitler were expressing themselves at home with little reserve, a vigorous private discussion was emerging upon the question of Austrian rearmament. This issue has some significant international implications. The Schuschnigg government naturally takes the position that if Germany has an army of 550,000, Austrian safety demands more than the 28,000 soldiers to which the Treaty of St. Germain and subsequent arrangements entitle her. But the Little Entente necessarily has some misgivings.

If Austria is permitted to arm heavily, then what about Hungary and Bulgaria? They have just as good a claim to rearmament as Germany and Austria. It would be impossible to deny Budapest and Sofia a right that was granted to Vienna. As a matter of fact, Hungary has been secretly rearming for years—chiefly with war material obtained from Italy in the days when Italy and Yugoslavia were at odds—and is even credited with a system of secret conscription. No one really believes that Austria, Hungary and Bulgaria can be kept much longer at the level of disarmament fixed by

the peace treaties, and the sooner rational concessions are made to all three, the less danger there will be of unpleasant episodes. This question was expected to receive careful consideration at the Danubian conference which Mussolini has arranged to take place in Rome on May 21.

Although the Stresa conference went on record as favoring an Eastern Locarno, it had become evident before the meeting adjourned that little hope now exists for such a compact. The Polish Government is as resolutely opposed as ever. General Pilsudski, Foreign Minister Beck and the Polish people seem agreed that an Eastern Locarno would have just one certain result—it would make Poland an arena for contending foreign armies in the next European war. Germany, as we have said, is equally opposed. The Reich issued a long statement on the suggested Eastern pact on April 13, the gist of which was the familiar assertion that Germany would sign non-aggression treaties in the East, but would not sign any treaty for mutual assistance. As a matter of fact Germany is already pledged to non-aggression, conciliation and arbitration in her relations with Poland and Czechoslovakia by annexes D and E of the existing Locarno treaty. When she talks of non-aggression compacts she is not going much beyond the point to which she went years ago. But with one nation she will not even sign a non-aggression pact—with Lithuania, whose seizure of Memel is regarded as an outrage by all Germans, and in recent weeks has been made the subject of vigorous remonstrances even by Great Britain, France and Italy.

The collapse of French hopes of an Eastern Locarno was virtually admitted when at the end of April, M. Laval and Vladimir Potemkin, the Soviet Ambassador, agreed upon the terms of a Franco-Soviet pact of mutual assistance which on May 2 was duly signed.

When the text was made public the next day, its scope was found to be not quite so broad as originally intended. Its terms, moreover, were formulated entirely within the framework of the League covenant. The treaty makes the following provisions in its five articles: (1) Consultation in the event of danger of aggression; (2) immediate aid in the event of "unprovoked aggression"; (3) "aid and assistance" in case of unprovoked aggression by a nation that thereby breaks its pledges under the League covenant; (4) limitation of the treaty to prevent its being interpreted as restricting the duties of the League or the obligations of League members; (5) operation of the treaty for five years and, if not denounced one year before the end of that period, its indefinite continuance.

The essence of the treaty, however, lies in the accompanying protocol of signature, in which it is declared that "it is also understood that undertakings in this treaty refer only to cases of aggression against either of the contracting parties' own territory." At the same time France protects her international guarantee in the Locarno agreements by the stipulation that the treaty "shall not be carried out in any way which, being inconsistent with treaty obligations undertaken by the contracting parties, might expose the latter to sanctions of an international character."

Another important aspect of the treaty is that the way is left open for the inclusion of Germany. After recalling that the treaty is a result of negotiations begun for the conclusion of a security agreement among the countries of Northeastern Europe and

of a treaty of assistance between the Soviet Union, France and Germany, the protocol continues: "Although circumstances have not hitherto permitted the conclusion of these agreements, which the two parties still look upon as desirable, the fact remains that the undertakings set forth in the Franco-Soviet treaty of assistance are to be understood to come into play only within the limits contemplated in the tripartite agreement [between the Soviet Union, France and Germany] previously projected."

Since the Eastern Locarno scheme has broken down, France is in effect attempting to provide a new security system in its stead based upon certain articles of the League and upon Litvinov's famous definition of aggression. But even in Paris this is not regarded as a very satisfactory substitute.

As the alarums, the outcries and the panicky fears of March somewhat subsided, Europe was left marking time—and lustily rearming. Every day added its quota to the news of fresh preparations for war. The French "war babies," the 120,000 recruits born during the great conflict, joined the colors for their eighteen months' term. Germany began the assembling of twelve new submarines for which parts were ordered six months ago. Great Britain announced on May 1 that she would build up her air forces to full equality with those of Germany and would spend $25,000,000 for the purpose this year in addition to the $105,000,000 already provided in the air estimates. Mussolini called upon the Italian people to realize that days of grim effort lay just ahead. All this is depressing enough. It is a challenge to Europe to follow some better course than mere drift—to make earnest and if necessary self-sacrificing efforts to bring Germany, which has not yet wholly closed the door, into a true "collective system."

ABYSSINIA AGAIN

While most other parts of the world were quiet enough during April, two areas of tension came into the news. One of the questions considered by the League Council at its private meeting on April 15 was that of Abyssinia. The government at Addis-Ababa had requested that its appeal against Italy be put on the agenda for immediate action. The Council unanimously refused on the ground that it had been given to understand that Italy would submit the pending dispute to arbitration under the terms of the Italo-Abyssinian treaty of 1928. But there is still great uncertainty as to the explicitness and sincerity of the Italian assurances. No one knows exactly when Italy will agree with Abyssinia upon a panel of arbitrators—if ever. Though the Abyssinian representative asked that a date be fixed for such action, the Council refused. Nor did the Council consent to ask Italy to stop her heavy troop movements to Eritrea.

The consequence of these refusals at Geneva is that Italy is left free to postpone the appointment of arbitrators as long as she likes, meanwhile pouring troops and war materials into her ports on the Red Sea. There is grave danger in this. The Abyssinian Government has carefully abstained from massing troops on its borders, the tribesmen are hard to control, small incidents have already occurred, and there are undoubtedly Italian colonial officials who would like an excuse for drastic action.

THE CHACO WAR

The bloody Chaco War drags its slow length along. As April closed, fighting continued along a front of

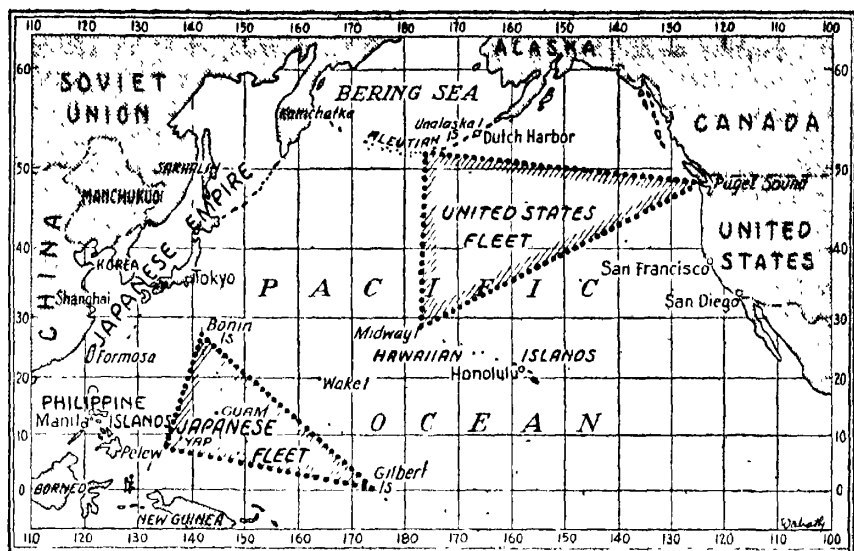
120 miles. Bolivia, rallying from her recent defeats, was trying desperately to advance, and dispatches spoke of 70,000 men engaged in a ten-day battle. The effort of the League to stop the war by a general embargo on arms shipments has broken down for two reasons: Paraguayans and Bolivians would fight murderously if they had nothing but clubs in their hands; some nations refuse to join the embargo. Uruguay on April 29 sent a note to the League flatly declining to enforce the stoppage of arms shipments to Paraguay as recently recommended by the League's Chaco Advisory Commission. She, like Argentina, would prefer a Paraguayan victory.

Yet, as May began, hopes for peace in the Chaco revived again. The advance by Bolivia was of good omen. When that nation seemed reeling into the ropes for the count of ten, Paraguay was naturally unwilling to stop hostilities, but now that Bolivia has proved that she still can fight, Paraguay may be willing to listen to reason. And a group of American powers is ready to exert itself once more. Brazil announced on May 1 her willingness to join four other nations—the United States, Argentina, Peru and Chile—in a conference not merely to stop the war but to remove some of its economic causes. One of the roots of the conflict, obviously, lies in the landlocked position of Bolivia, which is eager to reach navigable waters. If the conference can be arranged, and if the two antagonists can be induced to agree to an armistice, one of the most senseless conflicts in all modern history may be terminated.

Meanwhile, in a harassed, depressed and disquieted world, there is at least one fact in international relations to provoke grateful reflections. Nobody is discussing the Anglo-American-Japanese naval question. All admirals under the sun-flag and the starry banner alike are preserving a golden silence. Even the spokesman for the Japanese Foreign Office, who holds all non-German records for indiscreet utterances, is managing to keep quiet.

America Debates War Plans

By CHARLES A. BEARD

CONSIDERED in the light of tragic experience and contemporary distempers, the most fateful recent events in America have turned upon the old conflict between the civilian interest and the military interest. This flared out into the open during February and March and continued during April. As the tensions in Europe and the Orient increased, awakening lively memories of 1917, the attention of Congress and the country was directed more sharply to the rôle of arms in domestic and foreign relations. Even when President Roosevelt approved the huge Army Appropriation Bill, he reflected the underlying dissension by explaining ingeniously that the increase in the army was in substance no increase at all. Although he put aside the protests of religious bodies against naval manoeuvres now in course in the far

THE AMERICAN AND JAPANESE FLEET MANOEUVRES

The areas in the North Pacific in which the American and Japanese Fleets are conducting their manoeuvres this year, as shown on this map, are at least 2,000 miles apart. The Japanese Fleet will not begin its manoeuvres until after those of the American Fleet are concluded.

Pacific, he made a gesture to neighborly intentions by allowing the assignment of the flagship Augusta of the United States Asiatic Fleet, under Admiral Upham, to the duty of making a "good-will visit" to Japanese waters.

That opposition to the militarization of the American nation is to be expected in Congress and not in the executive department was forcibly confirmed by the action of the House of Representatives on the McSwain War Profits Bill early in April. This measure, as it came from the Military Affairs Committee, had undoubtedly the sanction and eager support of the War Department. Its title was to some extent a misnomer. It was designed in part to limit profits in war-supply industries, but the provision which engaged the real concern of the War Department was the section authorizing a sweeping conscription of men for "the next war." Its attack on the profit system in munitions was mild; its conscription features were positive and drastic.

When the McSwain Bill came out on the floor of the House early in April it was greeted by a storm of hostility to war and all its works that surprised and bewildered the sponsors. Amid great excitement emasculating amendments were offered and carried. With a violence of emotion seldom displayed in Congress, speech after speech was delivered against the letter and spirit of the bill. "Eighteen years ago," exclaimed Representative Rankin of Mississippi, "we took that terrible plunge. It burdened us with taxation that will take 100 years to pay. Let us tax the profits out of the last war and we won't have any next war. This bill would exempt 99 per cent of you. If you are too old to fight, you are too old to vote to send anybody to fight for you."

Representative Maury Maverick of

Texas, a veteran of the World War, was especially determined in his resolve to defeat the conscription section of the bill. In addition, he brought forcibly to the attention of the House an issue generally neglected in debates on military preparedness, namely, the vital necessity of relating arms to national policy. To bring this crucial question to a focus, he introduced a resolution defining a policy of neutrality for the United States. Bent upon keeping some liberty for the press even in wartime, Mr. Maverick also proposed to limit the licensing provisions of the McSwain Bill. When he was defeated in this manoeuvre, Representative Citron of Connecticut took up the proposition and induced the House to exempt newspapers, books and periodicals from control by licensing authorities.

Fire was concentrated particularly on conscription and war profits. Unable at first to defeat the conscription feature of the bill, opponents managed to raise the age limit from 21-31 to 21-45, and to add a proviso to the effect that drafted men could not be used on foreign soil except to prevent or repel an actual invasion of the United States. They then drove through an amendment authorizing the conscription of men "responsible for the management of industry, commerce, transportation and communications." After thus providing for the conscription of management, the intransigents carried another amendment stipulating that conscripted service men must be paid "prevailing unskilled wages." The opposition in the House then turned fiercely on the mild clauses of the bill pertaining to profits. They demanded nothing less than the complete and unconditional outlawing of war profits. This was another body blow. For three days Chairman McSwain of the Military Affairs Committee had insisted that such an amendment to his bill could not be offered. But, confronted by implacable foes in the House, he capitulated. With all the grace he could command, he accepted, proposed and carried an amendment to lay a 100 per cent tax on excess profits, thus opening the way for the Senate to act on a revenue measure originated by the House. To prevent an utter rout, the leaders of the House then forced an adjournment to realign their shattered forces.

Instead of gathering strength in the interim, the sponsors of the original zations and public services" deemed battle was renewed on April 9. Under the direction of Representative Goldsborough of Maryland the House carried a motion to recommit the bill to the Military Affairs Committee with instructions to strike out the conscription section entirely. In a wholesale bolt 156 Democrats joined 39 Republicans, 7 Progressives and 3 Farmer-Laborites on the motion to recommit, against 130 Democrats and 53 Republicans. Almost immediately Chairman McSwain announced that his committee, having received the amended measure with instructions, was reporting it back without the conscription section. Amended beyond recognition the bill was then carried and sent to the Senate.

As finally passed by the House the bill authorized the President to "freeze" prices on the declaration of war, close stock and commodity exchanges, license all manufacturers, dealers and public services, except publishers of newspapers, periodicals and magazines, and "commandeer," not "conscript," the "material and financial resources, industrial organization and public services" deemed necessary to the prosecution of war. In respect to war profits the bill pro-

vided "that upon the declaration of war there shall be imposed a tax of 100 per cent of all excess war profits that may be earned during the said period of war as defined in this act." Twisted, battered and slashed, the bill bearing the name of Chairman McSwain was turned over to the Senate, where Senator Nye's Munitions Committee was lying in wait.

From the chambers of Congress the issue joined on the McSwain Bill was carried to the country. In a formal statement Bernard M. Baruch amended his testimony before the Nye Munitions Committee, which had been more friendly than expected. In his revised document he declared that his testimony had not been correctly recorded in all particulars, and that it was necessary for him to present a revised version. Freed from the trammels of the committee room, Mr. Baruch made it perfectly clear that he was firmly opposed to the drastic taxing provisions which the Nye committee had under consideration. They would, he said in effect, so reduce profits on munitions as to dampen the incentive of capitalists and managers, curtail supply and incur the risk of losing the war. Springing to the support of Mr. Baruch, General Hugh Johnson, who had branched out as a syndicate writer, rang the changes on the same theme, and accused Senator Nye and his supporters of caring more for "communism" than for winning the next war.

To this attack vigorous replies were made, especially by Senators Nye and Vandenberg. The burden of their counter-argument may be summarized in the following form: "If the United States can rely upon the sacrifice of young men on the field of battle, but must cater to the greed of capitalists in order to get munitions, it is high time that the country recognizes the situation, distinguishes between patriotism and pelf, and adopts appropriate measures."

Encouraged by the turn in debate over war and munitions, the Nye committee announced that it was ready to proceed with an examination of the financing of the Entente powers during the World War, to which references had already been made. Its agents approached New York banking houses in connection with preliminary inquiries. Almost immediately the interest of the British Government was enlisted, either on its own account or as a result of suggestions from other quarters. In behalf of that government it was suggested by Stanley Baldwin that such an inquest as the Nye committee proposed might be embarrassing in view of the delicate situation in Europe. The British and French Ambassadors in Washington called on the State Department to make representations relative to the delicacy and embarrassment. President Roosevelt summoned members of the Nye committee to the White House for a conference on the subject. Out of the conference came no official report, but newspaper correspondents gathered the impression that brakes would be applied to the Nye committee's suggested procedure. Thus the future became uncertain. But the victory of the Nye committee over the President in connection with his effort to sidetrack it by appointing the Baruch-Johnson committee on war profits guaranteed no triumph for the Executive in respect of the inquiry into war financing. Moreover, the half-concealed resentment of some members of the Nye committee at repeated interference with the development of its civilian program implied that this new intervention from the White House might not have the expected results.

Yet on the other side of the ledger could be set hard facts more eloquent than civilian speeches on peace. On April 26 the directorate in the House of Representatives, preceded by the steam roller, drove through the naval appropriation bill carrying a charge of $457,805,261 on the Treasury. Every effort to reduce it was blocked by a mass formation of Democrats and Republicans united in a solid bloc against a handful of critics. Even the cut in the budget allotment for new buildings made by the appropriations subcommittee was accompanied by the promise that more money, if needed, would be provided by a deficiency bill.

Not less pointed was the apparently inadvertent publication of declarations made by army officers before the Military Affairs Committee of the House, in connection with a pending air bill, to the effect that "camouflaged" air bases near the Canadian border were contemplated by the measure and that preparations must be made to seize, in case of necessity, outlying bases in the Caribbean to prevent their use in operations against the United States. It is true that President Roosevelt in a letter of April 29 to Chairman McSwain sharply criticized the publication of these military designs, declared that they did not represent the purposes of the United States Government, reassured Canada and asserted the peaceful intentions of his administration. It is true that Representative Maverick declared that five admirals should be court-martialed, that all admirals and generals "should keep their mouths shut" about foreign relations and that issues of policy should be left to the President and the State Department. But such diversions left the public in the dark about the major issue: What will be done by the War and Navy Departments in the development of their ambitious air programs?

THE WORK OF CONGRESS

Amid the alarms of preparedness for coming wars, Congress and the President continued to wrestle with other fragments of their visible program. On April 8 President Roosevelt signed the Work Relief Bill which had passed both houses of Congress three days previously. In its final form the joint resolution did not differ essentially from the original measure as amended by the Senate, although in the conference committee it was stripped of the Thomas silver rider, and a proviso was added to the effect that 25 per cent of the amount allocated to loans and grants for non-Federal projects must be used for labor, "within the determination of the President." This direct-work proviso, it was explained by Senator Glass, would prevent the use of Federal funds for the purchase of power plants and other going establishments. Thus, after the lapse of seventy-five days, President Roosevelt received all the money he had demanded, subject to many limitations. Thereupon he took immediate steps to provide for the quickest possible distribution of the largest single appropriation ever made by Congress.

In setting up the new machine, President Roosevelt placed most of the responsibilities on existing departments and agencies. General direction he retained in his own hands, thus scotching the movement which had been started in Congress against Harry L. Hopkins, head of FERA, and Secretary Ickes, who had not been tender to local politicians. Three additional bureaus were created to take charge of special functions. To one, under Rexford G. Tugwell, was entrusted work in rural rehabilitation—

the transfer of farming families from marginal lands and assistance in establishing independent homesteads. In the Bureau of Public Roads was erected a special agency to supervise the elimination of grade crossings. A third agency was placed in charge of rural electrification—a work full of political dynamite. The remaining activities connected with expenditures were allocated to numerous departments and independent establishments, named in the Presidential announcement on April 24.

Frank C. Walker was given responsibility for sifting the thousands of petitions for allotments that poured into Washington. A Works Allotment Division, composed of Cabinet officers and division chiefs, was set up to review and pass upon applications for funds, and make preliminary decisions for the President's approval. A step, characterized as "final," was taken on April 26, when the President announced the creation of the "Work Progress Division," and designated Harry L. Hopkins as administrator. In this connection it was explained that Mr. Hopkins would act as the President's "eyes and ears" in watching the progress of all efforts to provide employment, supervise the employment of the jobless and control the purchase of supplies. With Mr. Walker, Mr. Tugwell, Mr. Hopkins and Secretary Ickes there were associated, as a kind of war council for relief, Secretary Morgenthau, Joseph P. Kennedy of SEC, Rear Admiral C. J. Peoples, chief of procurement for the works program, and Charles West, "contact man" between the President and Congress.

With the Work Relief Bill out of the way, the House of Representatives gave attention to the measure providing for old-age pensions and insurance against unemployment, generally called "the President's social-security program." Beating off advocates of more radical schemes, including supporters of the Townsend plan and the Lundeen project, leaders of the House were able to drive the Social Security Bill through on April 19. One part of the measure provides immediate grants from the Federal Treasury to the States for old-age pensions to be paid beneficiaries who have reached the age of 65. This Federal subsidy will match State contributions up to the amount of $15 per person per month. In this fashion, it was expected, material assistance would be given to the large number of States which already have old-age pensions in some form, and the remainder of the States would be brought into line to curtail local poor relief, if for no other motive.

A second part of the social-security measure contemplates the establishment of old-age annuities, applicable to those who reach the age of 65 by the year 1942. Money for these annuities will be derived from contributions by employes and employers, and take the place of direct pensions. From such benefits are excluded, however, agricultural and casual laborers, domestic servants and certain other classes of employes. In no case will annuities exceed $85 a month.

These pension provisions are crowned by an unemployment benefit plan, involving Federal and State cooperation. Beginning in 1936, a Federal tax will be laid on payrolls to provide reserves against unemployment. If a State adopts an Unemployment Benefit Act, then a large rebate will be allowed to it from the Federal tax. Thus, it was contemplated by the sponsors of the bill, States will be compelled to take action and yet be free to make such local variations as may seem appropriate. Embodying

these principles the Social Security Bill was transmitted to the Senate.

By the early days of May no material additions to, or amendments of, the recovery program had been enacted into law. The fate of NIRA remained undetermined. The bill extending and amending it was the subject of hearings before the Senate committee in charge. In the main the discussion, which was often more heated than edifying, revolved around the old question of a free-market economy versus a controlled-market economy. The set-up and performances of the real market outside the Senate committee room demonstrated the academic character of both positions, and the debate smelled of the cloister.

From elaborate statistical tables prepared by the Brookings Institution it was argued that NRA had retarded recovery and that the codes should be abolished. In this way, it seemed to be imagined, adjustments in the price system would operate to bring about the equilibrium so eagerly hunted by economists but never found in satisfactory form. On the other side, General Hugh Johnson argued that NRA had provided additional employment, raised real wages and increased the operations of the nation's productive mechanism. Deeply stirred by the Brookings report, General Johnson savagely attacked the Institution and its directorate in his syndicated articles.

After the storm subsided, the Senators in charge of the bill appeared to be bewildered. Some of them proposed to escape the dilemma by extending the old NIRA until March, 1936, thus allowing more time for "study." This suggestion was countered by objections from President Roosevelt, but on May 1 the Senate committee reported in favor of a ten months' extension in amended form. Additional complications arose from the resolve of the Department of Justice to bring the constitutionality of NIRA before the Supreme Court at once in the case of the Schechter Poultry Company and others. If the court should decide against the validity of the act some time before June, Congress, it was contended, would scarcely have time to repair the ruin with a brand-new statute. To this point had the long struggle over concentration in industry been brought by the late Spring of 1935. The authors of the Sherman Anti-Trust Act of 1890 must have turned over in their graves.

All other features of the Congressional program were tossed about on the waves of debate: Ship subsidies, abolition of unnecessary holding companies, banking as a part of planned economy, combined regulation of all transportation facilities, railway labor, the Wagner labor relations program ardently backed by the American Federation of Labor, pure food control, the Black-Connery thirty-hour week project, the Guffey proposal to make bituminous coal a public utility, and the Anti-Lynching Bill, which was killed by filibuster on May 1. Defeated in its efforts to effect a nationwide organization of labor under Section 7a of NIRA, the American Federation of Labor sought to engage government aid in breaking the grip of company unions and in forcing the independent organization of industrial workers. This concentration on legislative action was, perhaps, the most important development in labor policy, with a positive bearing on great labor strategy. From the White House, however, came no open assistance. On the President's part official endorsement was given to four principal measures—those touching ship subsidies, banking, holding companies

and unified transportation control. Yet, as Spring waned, Congress seemed no nearer positive decisions than in January.

In the sphere of administration two important steps were taken. On April 14 the Treasury called in the last remaining Fourth Liberty bonds and a week later all First Liberty bonds, offering cash or paper bearing a lower rate of interest. At the time Secretary Morgenthau announced that the average rate of interest on government securities was 2.86 per cent and that only $8,500,000,000 in outstanding bonds and notes contained the gold clause. The second financial stroke concerned silver. By Presidential proclamations, on April 10 and April 24, the price of silver was raised—on the latter date to 77.5757 cents an ounce. Interpreted to mean an aggressive program of silver accumulation, this action caused a boom in the silver market and still sharper dislocations in the currencies of other countries, especially Mexico and China. Beyond adding to the profits of silver-mine owners and speculators, it was accompanied by no marked changes in the economic conditions of the United States.

AMERICAN BUSINESS

In operating economy, apart from politics, no noteworthy alterations were recorded in the indices of business. With monotonous regularity the black line on the graph showing major economic activities crawled forward on the low level to which the country has long been accustomed. According to reports by the National Industrial Conference Board, annual production was still from $30,000,000,000 to $50,000,000,000 below the peak of the boom days. Prime stocks were strong in the market but not spectacular. The number on public relief did not diminish with startling rapidity, and expectations of "the Spring rise" did not materialize. Railways showed, in the main, lower net earnings. Two or three strategic companies moved steadily forward into the shadows of bankruptcy or reorganization. Notwithstanding the allowance of certain emergency increases in rates, railway managers found little improvement in the outlook. Their spokesmen sought to stave off the proposed Senate inquiry into railway finances, and to expedite the bill regulating competing forms of transportation. The chief basis for hope was that on May 6 the Supreme Court handed down an adverse opinion on the Railway Pension law, thereby reducing the railways' burdens.

Meanwhile the RFC found itself owning or controlling an increasing number of business enterprises, including public utility plants, national banks, a real estate mortgage company, a railroad, 4,000,000 bales of cotton, machine shops, wineries and distilleries. Into its crowded antechambers pressed railroad presidents, bankers, financiers and other captains of high enterprise seeking relief from grave difficulties. About all that could be said for American economy was that it was apparently in better shape than in the Spring of 1933 and evidently far from normalcy. Yet, apart from disturbances in the rubber and automobile industries, there were no strikes of large proportions or indications of profound unrest among the employed or the unemployed. A daze of watchful waiting, akin to the murk of Western dust-storms, settled over the public mind. A few galvanic twitches here and there relaxed no major tensions.

Nevertheless, prognosticators felt warranted in announcing the first tremors of an upward surge. Interest

on call loans and prime short-term paper fell sharply in the direction of zero. Banks were bursting with deposits. Hence it was argued that, since people with money could get no profits from fixed investments, they would soon begin to spend it on commodities or ventures of risk. The March returns from the Federal income tax were considerably in excess of conservative calculations.

In a statement made public on April 28, the National Association of Manufacturers announced the approach of prosperity if Congress would end "uncertainties" and drop from its legislative program nearly all pending proposals. Watchers with sensitive ears could catch from afar the notes of the old song of 1928: "Let us alone and we will assure prosperity."

On behalf of the administration it was triumphantly announced that the budget was balanced, except for the $4,000,000,000 to be spent on work-relief. And reporters having access to the White House stated with an air of authority that President Roosevelt was "amused" rather than disconcerted by allegations to the effect that his prestige was declining, and continued to look forward with confidence to re-election in 1936. He was said to be undisturbed by the deadlock in Congress and by the economic outcomes of the New Deal. Faltering followers he sought to reassure by another fireside chat over the radio on Sunday, April 28. His immediate concern, he said, was carrying out the big relief program, putting men to work. Unemployment insurance legislation pending in Congress will cushion the shock of economic distress. The life of NIRA must be extended, unnecessary holding companies eliminated, all systems of transportation brought under common regulation, and the banking acts amended. Never since his inauguration, the President declared, had he felt "so unmistakably the atmosphere of recovery."

POLITICAL STIRRINGS

In preparation for the gathering storm of 1936, Republicans and other dissidents took stock and milled around. Henry P. Fletcher, chairman of the Republican National Committee, brought to the Washington headquarters John Hamilton of Kansas, long mentioned as the dark horse of the renaissance. Coupled with this action were preparations for regional conferences among party leaders with a view to bringing fresh talents into the organization. Making bids both ways, Mr. Fletcher characterized his party as "progressive because it has been conservative," and set it over against the Democrats whom he marked up or down as "radicals." Yet the vote of Republican members of Congress on various administration measures did not run along partisan lines. At no time did it indicate a concentration of forces or the existence of any clear-cut opposition program.

To take up this slack in strategy, Western Republicans, under the direction of Governor Landon of Kansas, called a convention of representatives from several States to meet on April 27 and draft "a declaration of principles for the liberalization of the party." From both sides, from Hamilton Fish and from William Allen White, came whole-hearted endorsement. With great expectation the new creed was awaited. Agreement was reached on two points—one of the briefest programs in political history: Fight Roosevelt and call a national Republican conference in June. Meanwhile the Republicans of New England, the seat of militant textile in-

terests, conferred and prepared for a campaign against the New Deal; and critics of the administration opened fire on May 1, at the convention of the United States Chamber of Commerce, threatening to break "the truce" patched up after the election of 1934.

In Left-Wing quarters there were movements against the regular Democratic front. In Detroit, on April 24, Father Coughlin held a monster mass meeting for the purpose of launching, not a third party, but an organization of groups in the forty-eight States dedicated to "social justice" and to driving out of political life men who had promised to redress wrongs and then practised the philosophy of plutocracy. Among the speakers listed were Democratic and Republican members of Congress, representatives of labor and farm organizations and agents of the cotton interests bent on breaking down AAA. Slogans, plans and arguments drawn from the old Populist armory were freely used, but nothing very concrete issued from the great demonstration of oratory. Neither the Roosevelt administration nor the Republican directorate could draw much pleasure from the jubilee. Still, with the priest quoting Scriptures and Senator Elmer Thomas purveying free silver as the cure, hard-headed political observers generally came to the judgment that the old-line party machines had little to fear from an organization for justice and good fellowship under clerical direction.

Far more disturbing to dispensers of loaves and fishes was another convention assembled at Des Moines late in April which drew together branches and splinters of the Left Wing, from Huey Long to Milo Reno. The ghost of Jerry Simpson has a way of coming back, but this time new conceptions of political economy accompanied his reappearance.

THE AMERICAN BACKGROUND

Among private interests and government officials lively disputes simmered and boiled. Secretary Wallace clashed with the New England textile manufacturers over the processing tax on cotton, and the subject of Japanese competition was brought out on the carpet. Louisiana and Georgia, seats of opposition to the New Deal, were threatened with loss of Federal relief money and aids from PWA. In Arkansas landlords and share croppers carried on their contests without any evident approach to settlement.

On the Pacific Coast the California Medical Association repudiated the American Medical Association's injunction and went on record in favor of State health insurance—more "socialism"; while a representative in the Legislature from Pasadena, the Athens of the West, sponsored a bill making it a felony to possess or transport "revolutionary literature." The Illinois Senate voted to investigate "sedition" in institutions of learning. The trustees of the Connecticut State College made military drill compulsory and forbade students and professors to discuss the subject publicly on the campus.

Utility interests emitted protests against the Roosevelt holding-company bill. Coal interests turned publicity loose on the Guffey coal bill. Bonus advocates and opponents tried to reach some compromise, but finally on May 7 the advocates had their way when the Senate passed the Patman Bill for immediate payment of the bonus with $2,201,000,000 in currency.

PHILIPPINE REVOLT

The most serious uprising in fifteen years broke out in five Philippine

provinces on May 3 when rebellious Sakdalistas, members of an extremist party opposed to the Quezon-Osmeña coalition and the new Philippine Constitution, attempted to cut off Manila and other principal cities and set up a régime of their own. Sixty persons were killed and about 100 wounded as constabulary troops met and defeated the rebels, and within a few days 250 persons, including two members of the insular Legislature, had been arrested as a result of the bloody outbreak.

The revolt was timed to take place during the absence from Manila of Governor-General Murphy, Manuel Quezon, president of the Senate; Major-General Parker, Commandant of the United States forces; Secretary of the Interior Sizon, and other leaders. The situation, however, was dealt with by Vice-Governor J. R. Hayden. The revolt was intended to insure the defeat of the new Constitution in the plebiscite scheduled for May 14. The Sakdalistas hoped to procure immediate Philippine independence rather than the ten-year transition period now contemplated, and, while not officially communistic, promised a more socialistic government than would be afforded under present leadership.

Benigno Ramos, Sakdalista leader, was in Tokyo at the time of the outbreak, seeking, so he said, the "moral support" of influential Japanese. The latter flatly declared, however, that he had no contacts with the Tokyo government. Insular officials were at the time of this writing discussing the feasibility of asking Japan to extradite Ramos.

Political Manoeuvres in Canada

By J. BARTLET BREBNER

IN the absence of the chief actor, Prime Minister Bennett, his Conservative supporting cast in the Canadian Parliament has been unable to dramatize effectively the program of social reform that he and they hoped would insure victory in the coming general election. The convalescent Mr. Bennett appeared at a reception on April 16 before his departure to the Royal Jubilee, but no one was prepared to say definitely that his health would permit him either to dominate Parliament again or to lead the party at the polls in September.

Meanwhile, the Liberals, cautiously and astutely led by W. L. Mackenzie King and Ernest Lapointe, were trying to embarrass the Conservatives by refusing to debate at length either the budget or government legislation, by demanding that the Easter recess be one week instead of five, and by urging an immediate election.

Mr. King on April 12 reaped a further instalment of his reward for clever tactics when he goaded H. H. Stevens into indiscretions which seemed to split the Conservative party. Mr. King had protested because the report of the famous Price Spreads Commission reached the press three days before it was presented to Parliament. When Mr. Stevens regretfully admitted responsibility, Mr. King mentioned the Prime Minister's forcible reproof at the time that Mr. Stevens was ousted from the Cabinet

for alleged breach of joint responsibility. Mr. Stevens repudiated Mr. Bennett's version of his behavior and thereupon C. H. Cahan, Mr. Stevens's chief enemy in the Cabinet, read parts of the Bennett-Stevens correspondence on the ethics of Cabinet office and of membership of a Royal Commission.

This was enough to cause Mr. Stevens to let himself go at members of the Cabinet and their insincerity about social reform. His speech was greeted with cheers, not only from the Opposition, but from the Conservative back benches. He completed his performance by usurping the usual prerogative of the chairman of the commission and moving the adoption of the report as a private member. After all, it had been he who had agitated for and secured the commission and he had presided over it until his expulsion from the Cabinet. Sir George Perley, Acting Prime Minister, took command of the House without giving Mr. Cahan (who had not been applauded) a chance for further reply.

There were other bits of political vaudeville during April which had their connection with the pre-election situation. They revealed that the Conservatives needed Mr. Bennett's vigor to end their schism and to give them the campaign keynote, but it was reported that before Mr. Bennett left for England he had refused to take Mr. Stevens back into the Cabinet. The Liberals, who were regaining the ground they had apparently lost at the end of 1934, did not commit themselves to anything beyond maintenance of the Constitution and Provincial rights. They attacked titles of honor and the treatment of the unemployed and issued a warning against engagements arising out of the "informal conversations" of the Jubilee Imperial Conference. Liberal opposition to regimentation as leading to fascism and the loss of personal and political liberty was very general.

The election platform of the Conservatives, apart from their perhaps unconstitutional program of moderate social legislation, seemed to be acceptance of the prevailing North American device of distributing public funds. The increased Provincial subsidies were impressive and about $30,000,000 of the 1934 public-works allotment was still to be spent. Guaranteed railway loans of $15,000,000 were to be used for new equipment and were to be accompanied by an $18,000,000 construction program. A proposed Dominion advance of $10,000,000 would, it was hoped, stimulate $50,000,000 worth of new housing by drawing out private funds for first mortgages. Expansion of public credit in 1934 resulted chiefly in a record contraction of bank loans, but the 1935 program was designed to get the added money into circulation.

The long awaited Report of the Price Spreads Commission, with its 7,000,000 words of evidence distilled into 439 pages, was given to Parliament on April 12. The most important of its almost mandatory recommendations was for the creation of a Federal Trade and Industry Commission, similar to the existing Board of Railway Commissioners, with powers of law enforcement in supervising business and in repressing unfair practices. Other sections of the report concerned prices and the marketing of raw materials, regulation of weights and measures and standards, secret rebates by canners, low wages, voting trusts, overcapitalization of the milling industry, the marketing of livestock and fish and the enforcement of minimum wage and maximum hour laws in cooperation with the Provinces.

Depression and drought in Alberta have produced a characteristic political spell-binder and a new political party in William Aberbart and the Social Credit League. Aberbart is from Ontario and a talented radio broadcaster. Owner and chief prophet of the Prophetic Bible Institute, he has simplified the social credit scheme so completely that Major Douglas has repudiated him. The common version of his promises is $25 a month for every adult and his popular appeal has thoroughly frightened the older political parties now preparing for the Summer Provincial election.

CANADIAN TRADE

Canada's foreign trade relations have continued to be a matter of concern. The impressive representations made in Washington on March 18-21 against concessions to Canada in Secretary Hull's proposed trade agreement promised ill for any change wherever competition between the countries could be shown. The Liberal Opposition, agitated by Great Britain's recent preference for Argentinian or Australian to Canadian wheat, has concluded that as long as British goods find it difficult to surmount Canadian tariffs the condition will continue. It was announced in Tokyo on April 30 that a special committee would examine and report to the Foreign Minister on trade relations with Canada with the intention of making the Dominion revise its trade regulations, notably those applying to exchange equalization, under penalty of having its exports to Japan reduced or excluded.

There was no great change in the national economic scene during April. J. I. McFarland was still under Liberal fire on account of the government's huge operations in wheat. The Canadian price came a little closer to Argentinian and Australian as the latter rose during the month, but exports remained much lower than in 1934. Mr. McFarland, who last October talked about the carryover being eliminated by August, 1935, revised his estimate of the surplus and fixed it at 127,000,000 bushels. Fortunately, the price for whatever wheat could be sold was substantially above that of 1934.

The small Conservative Opposition in Ontario staged a vain but remarkable filibuster against the bill to terminate the contracts of the public Hydro-Electric Power Commission with private Quebec companies. Subsequent negotiations showed that the measure empowered, rather than commanded, the government to act. Quebec followed this model of permissive authority for bargaining purposes in the long-promised paper bill of April 30. This allowed the government to raise stumpage duties from $2.70 to $12 a thousand feet for the purpose of forcing the producers to raise the price of paper. Ontario was expected to agree to this program.

Despite the statement by R. J. Manion, Minister of Railways, that amalgamation of the Canadian Pacific and Canadian National Railways would be a national calamity, the Liberals were convinced that Premier Bennett wanted to sacrifice the publicly owned system. There was great tension in the Railway Committee of the House of Commons between the Minister and C. P. Fullerton, chairman of the C. N. R. trustees. The Liberal members in the House and the committee tried unsuccessfully to force Dr. Manion to accept the recommendation of the recently discharged firm of auditors to eliminate $1,000,000,000 of meaningless or misleading items from the debt structure of the National railways.

Cuba Under Army Rule

By HUBERT HERRING

THE breaking of the Cuban general strike in March and the dispersal of opposition leaders have left the army in complete control. President Mendieta still goes through his ritual as the head of the government, but it has become perfectly clear that the island is ruled by the canny ex-sergeant, Fulgencio Batista. Cubans holding dissident views find his dictatorship no more pleasant than that of other tyrants of hated memory.

The students continue their trouble making. Six thousand of them, after walking out of the University of Havana in February, were granted virtually all their demands by President Mendieta. They thus secured the resignation of two Cabinet members, and won virtual autonomy for the university, greatly increased appropriations and a wide degree of student control. They then proceeded to run the university to their heart's desire. They dismissed professors, changed rules and used the university halls for protracted and enthusiastic political sessions. They not only set forth the arguments for overturning the Mendieta-Batista régime, but laid plans for arming themselves.

These ambitious extra-curricular activities led to the closing of the university in March and its being brought under the control of the army. The army was still in charge on May 1, and showed no sign of retiring. Plans to reopen the university are under discussion, but the terms of the students and the government are so greatly at variance as to make it exceedingly doubtful whether this can be done. The record of the University of Havana is of a piece with the record of other Latin-American universities. Mexico, Santo Domingo, Peru—everywhere student demands and political interference have brought similar demoralization.

Even the high school students worried the army dictatorship, and on April 9 all the high schools of Cuba were closed for the remainder of the term. This left only the primary schools functioning. A sizable army of university and high school students have been turned loose, as in the last days of Machado, to plot, to make bombs and to attempt the overthrow of the government.

The financial outlook in Cuba is brighter. Government revenue steadily climbs, and it seems likely that the total for the fiscal year ending July 1 will pass the $60,000,000 mark. This would enable Cuba to resume payments on her foreign debt.

The sugar agreement with Washington is mainly responsible for this improvement. Sugar, however, continues to be not only Cuba's chief reliance but also her perennial nemesis. The Chadbourne plan, under which Cuba is allotted a quota of 930,000 tons to countries other than the United States, expires on Dec. 31. Unless a new international agreement assures Cuba some such quota in the world market, and unless the American quota of 1935 be continued for 1936, the Cuban sugar business will again find itself in a bad way.

In the meantime, Cuba seeks to improve her trade position by readjusting her tariff. A 25 per cent surcharge has been laid upon present import duties from countries that buy from Cuba less than half what they sell to her. This will affect her trade with a dozen countries, but chiefly with India and Japan. In 1933 Japan sold Cuba $857,000 worth of goods, and spent only $7,744. In the same year India sold Cuba $4,055,000 worth of rice and jute bags, but bought only $785 worth of Cuban products.

The Mendieta government announced on April 30 that general elections would be held on Nov. 1. This date was agreed upon by the four major old parties—the Nationalists, the Democrats, the Republicans and the Liberals. Conspicuous because of their absence from the arrangement were the ABC, the Autenticos and the students. It is doubtful whether anything approaching a fair election can be held if these three groups are not included.

SOUTH AMERICAN DEBTS

Arthur Souza Costa, Brazil's Finance Minister, on his return recently from Washington said: "No other country recognizes and desires to fulfill her obligations to a greater extent than does Brazil. At the same time we have only one means of doing this—the product of our own labor. Thus it is absolutely essential that the United States and Great Britain buy from Brazil in order that Brazil can meet the obligations she has assumed in the past."

This statement from Brazil epitomizes the stand that is being increasingly taken by the South American countries. Argentina has ruled against countries with which she has an unfavorable trade balance and contends that the United States, for example, must buy enough in Argentina to cover the government's annual debt payments to the United States, and that until such payments are covered, there will be no exchange available to importers who wish to buy American goods. This provision is directed not only at the United States, but also at fifteen other countries.

Uruguay has taken even more drastic action. She has ruled that only 75 per cent of Uruguay's sales to the United States shall be spent here, including payments on debt and purchases of gold. Chile professes herself willing to resume small payments on her debt, but the size of these is to be determined by the volume of her nitrate sales. Brazil earmarks 35 per cent of all exchange created by exports for "gesture" payments on her foreign debts.

BRAZIL WARS ON FASCISM

Brazil's National Security Law, signed by President Vargas early in April, was a declaration of war against the country's rapidly growing Fascist movement. According to the terms of the law, "only the State has the right to form militias." The Integralistas, or Green Shirts, were thereby outlawed. The Federal Government immediately availed itself of the authority of the new law, and on April 7 placed the State of Pará under martial law.

The Integralist movement was launched in the State of Sao Paulo in 1933 in opposition to President Vargas. Its green-shirted militia has grown rapidly under the leadership of Plinio Salgado until it now boasts organizations throughout the States of Sao Paulo, Alagoas, Bahia, Espirito Santo, Pará, Pernambuco and Rio de Janeiro as well as in the Federal District. Conservative observers admit that the movement has 100,000 members and perhaps double that num-

ber. That it has secured a foothold in the army seems probable.

Intensely nationalistic and anti-foreign, the Integralistas are opposed to communism of all shades. Among their slogans is "God, Nation and Family." The chief significance of the movement is its nation-wide appeal. Brazil has been dominated throughout her independent history by the dogma of States' rights, and political feuds have been chiefly between States. Her attack upon fascism is being eagerly watched in other South American countries where such movements are growing.

MEXICAN SILVER POLICY

When President Roosevelt announced that the United States would pay 77.57 cents a fine ounce for silver, the Mexican peso was pegged at 3.60 to the dollar. The news from Washington set the speculators to work and the dollar was driven down to 3.30. The Mexican Government promptly countered by closing the banks and by calling in all silver coins. Mexico is determined to hold the exchange at 3.60 because of the trade advantages it hopes to enjoy.

Mexico, as the world's largest producer of silver, is a substantial gainer by the policy of Washington, as her tax on silver production rises progressively as the price increases. Her immediate task is to issue a new currency of copper and paper to take the place of silver. The United States Treasury has offered to lend Mexico the facilities of the American mints to speed this transfer.

The Mexican business community, which had become alarmed by rumors that President Cardenas held Communist beliefs, was reassured when he declared on April 13 that "communism is not my doctrine nor the inspiration of my policies." "Private enterprise," he said, "can count on full guarantees and securities." It has been gradually dawning on the minds of many, both within and without Mexico, that Mexican radicalism has a character quite its own, and that European labels scarcely fit it.

Strikes spread throughout Mexico during March and April, and a general strike loomed as a distinct threat. Bus lines in Mexico City ceased operation, tying up the transportation facilities of at least 100,000 people. The street car workers went on strike. In Puebla, third largest city of the republic and the leading textile centre, a general strike halted all industry until President Cardenas personally intervened. Electricians struck in Tampico, depriving the city of light and power. Oil workers and seamen in Tampico also quit work.

The explanation of this unrest is to be found in the history of the Mexican labor movement. Labor was promised much by the 1917 Constitution, and the machinery for fulfillment was boldly set up. But organized Mexican labor, represented in the CROM (the Mexican Federation of Labor) under the leadership of Luis N. Morones, steadily lost ground. Since the fall of Morones, labor ranks have split, and the more radical left-wing leaders have gained increasing power. In the meantime the government has become more and more conservative, and labor unrest has kept pace with the swing to the right. Now, with rising prices and increased prosperity throughout Mexico, labor's demands are becoming vocal. Its present complaints represent the accumulated discontents of the past seven or eight years.

PANAMA DEMANDS GOLD

The United States pays Panama an annual rental of $250,000 for the Canal Zone. The treaty of 1904 pre-

scribed gold coin, but since the devaluation of the dollar we have been paying Panama with checks not redeemable in gold. This procedure is bitterly resented by Panama, and she has entered us on her national books as defaulters.

The gold argument is only one of many things which Panama holds against us. The relations between the United States and the isthmus republic which it created are not happy. There has been throughout the term of American control of the Canal Zone growing resentment over the discrimination against Panamanians at the employment offices in the Zone and also against the lower wages paid Panamanians. This resentment was fanned to white heat by the news from Washington that a bill was under consideration in Congress which would limit all employment in the Canal Zone to American citizens. Fervent appeals against this measure went to Washington.

THE DOMINICAN REPUBLIC

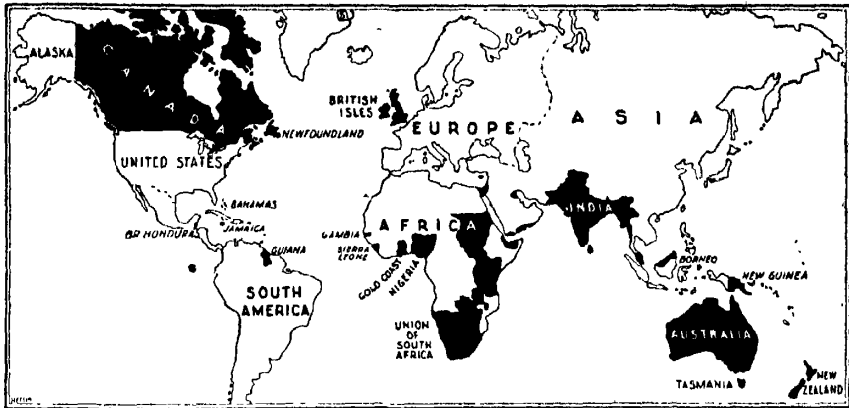
The Dominican silence is ominous. This quite unimportant Caribbean republic, with its 1,000,000 people, is going through strenuous days with its booted and spurred dictator, President-General Trujillo. Virtually no news leaks out. Between the obvious lack of interest on the one hand and the rigid censorship on the other, President Trujillo is having a pretty free hand. The press is muzzled; there is no freedom of speech; men are afraid to talk even in the privacy of their homes. Spies are everywhere. Trujillo has recruited his own band of secret police. Political murders increase, while hundreds who dared to criticize have fled the country.

Britain Celebrates a Jubilee

By RALPH THOMPSON

TWENTY-FIVE years is a long time for a King to reign, and in recognition of that fact the British Empire began on May 6 a month's celebration of the Silver Jubilee of George V. First there was a solemn Thanksgiving service at St. Paul's, London. Later came further pageantry and parading. Loyal crowds craned their necks to see, and all London glittered. With Westminster Abbey cleaned for the first time in centuries and Big Ben repaired and once more in good order, it was a fitting and proper atmosphere in which to sound high praises for King George and his quarter-century on the throne.

From the Empire there were many and various marks of affection. In South Africa a Tuberculosis Jubilee Fund was gathering subscriptions. Cattle-rustling was temporarily forsworn by certain Indian tribesmen in token of their esteem. Welsh coal-mine owners agreed to mark the occasion by establishing an old-age pension fund for their employes. Gibraltar arranged a naval and military torchlight tattoo, with fireworks and bonfires on the summit of the great rock. And there were rallies, charitable drives, hockey tournaments and football matches, all uniting to honor the King-Emperor and his Queen.

Some of the King's subjects did not feel like cheering. The Irish Free State

THE FAR-FLUNG BRITISH EMPIRE
George V reigns over an area of more than 13,000,000 square miles.

was without an official representative at the London ceremonies. The Laborite Mayor of Bermondsey, a London borough, decided that money would be put to better use by sending thirty poor children to the seaside for a week than in offering official greetings when His Majesty drove through town. Ticket speculators who had bought up seats for the various spectacles found in some cases that they had overestimated the willingness of the public to pay £5 or £10 for a chance to gape at imperial splendors. Anti-monarchists had an unrivaled opportunity to let loose about "royal squandermania" and to express their opinion of the real meaning of "George and Mary all dressed up in their Sunday best." And the rejoicing at Weymouth on May 6 was marred by the fact that unemployed rioted outside the doors at the local Jubilee ball.

Perhaps more important than the Silver Jubilee itself was the fact that the occasion had drawn to London the Prime Ministers of the British Dominions. Though no official imperial conference was announced, it was well known that the visitors would confer with the heads of the United Kingdom Government on the all-important question of imperial defense. Would the self-governing over-seas countries of the British Commonwealth lend their aid in another European war? That assurance, no doubt, would be more gratifying to the Crown than ten thousand messages of good-will. Yet the stark fact remained that up to the time of the gathering New Zealand alone of the Dominions had openly admitted her responsibility, and South Africa had no less openly denied it.

Conditions in Great Britain itself, however, were encouraging enough to send the Jubilee off to an auspicious start. Neville Chamberlain's budget, presented on April 15, was optimistic. Unemployment at the end of March had fallen to 2,044,460, the lowest mark since August, 1930. Iron and steel production during March was the best in four and a half years. Total exports for the first three months of 1935 were 10 per cent better than in the corresponding period of 1934, while imports had fallen 3 per cent. Bank of England gold holdings early in April were the largest in history.

Thus there was some justification for the cautious Mr. Chamberlain's

announcement that Great Britain had regained four-fifths of her prosperity. The actual figures of his budget showed that even more clearly. With a surplus of some $25,000,000 in sight, he took an additional sum nearly as great from the Road Fund, and used the total to end cuts in government salaries, from those of Cabinet Ministers and judges down to those of teachers and policemen. Taxation on smaller incomes, moreover, was reduced to the tune of some $50,000,000 a year, and taxes on inexpensive theatre seats were repealed. Even with these concessions, the budget was balanced.

Parliament and the country were greatly pleased. Certain knowing members of the Opposition talked about an "electioneering budget" (for elections are apparently not far off), and the Labor party taunted the government for failing even to mention the American debt. Sir Herbert Samuel and a few others were greatly exercised because the Exchequer's success was partly due to the questionable device of "robbing" the Road Fund. But on the whole no budget of recent years had been more favorably received than this, Mr. Chamberlain's fourth.

It was well for the reputation of the National government that such was the case. The Foreign Office under Sir John Simon had not handled the delicate European situation in a manner calculated to win the hearty allegiance of the British masses; one critic termed official policy an "execrable mixture of half-heartedness and half-headedness." Mr. Lloyd George's "New Deal" proposals were soon to be definitely appraised by the Cabinet, and since even Lord Snowden had given them his blessing beforehand, they might go far to bolster up the Opposition case. In all truth, regardless of hopeful economic signs, the strength of the government was not so great that an opportunity to curry public favor could be overlooked.

INDIA'S IMPOTENT LEGISLATURE

While the Government of India Bill continued to creep, clause by clause, past the on-the-whole approving eyes of the British House of Commons, the Indian Legislative Assembly in Delhi offered a prize-winning example of parliamentary impotence. The Legislative Assembly is British India's elected Legislature; a fraction of the population is given the privilege of voting to fill approximately two-thirds of the seats. But so effective are the "safeguards" granted to the Viceroy that the Opposition can be completely put aside if it becomes embarrassing. Recent events demonstrate this with painful force.

Late in February Sir James Grigg, Finance Member of the Government of India, brought up the question of finances for 1935-36. A budgetary surplus was at hand, and taxes on smaller incomes were reduced and large grants for economic development were promised. The Opposition was critical, however, and signalized its objections by reducing supplies for the Railway Board and Army Department to the absurd figure of one rupee (about 36 cents). Later the Assembly censured the government by voting to adjourn to discuss the shooting at Karachi—that now-famous incident when two platoons of the Royal Sussex Regiment, threatened by a mob on March 19, fired forty-seven rounds into the advancing throng and killed forty-seven persons.

On March 25 it was announced that the Governor General had used his emergency powers to restore the grants for the Railway Board and Army Department. The next day the

Assembly retaliated by voting to adjourn once more, this time to discuss the question of financial adjustments between India and Burma. Within a week, because of the so-called obstructionist tactics of the Congress party, the Viceroy had invoked his emergency powers in several other instances and had certified budget grants which the Opposition had rejected. On April 5 he sent a special message telling the Assembly that the Finance Bill should be passed in its original form and that none of the Opposition amendments was acceptable.

Thus, at least in financial matters, the Indian Legislative Assembly is a farce. The real power rests with the Viceroy. Perhaps, as government spokesmen charge, this power must be reserved; perhaps Indian politicians are irresponsible to a dangerous degree. The fact remains that the British Parliament is now framing a new —and supposedly more liberal—Constitution for India, and that under the new dispensation India's elected representatives will be still hedged round by the extraordinary powers of the Crown.

MR. DE VALERA'S TROUBLES

The embarrassing business of the Dublin transport strike continued during April to plague the Free State Government and to intensify the anger of Irish Republican forces. Despite the efforts of the Ministry for Industry and Commerce, no agreement had been reached by the first of May, and the two labor unions involved—the Amalgamated Transport and the Irish Transport—showed signs of beginning to fight each other as well as their employers. In the meantime, the public wore out shoe leather or made the best of the military lorries which had been pressed into service.

Where Mr. de Valera would eventually end up if he persisted in attempting to break the strike, no one could say. He made no further move against the Irish Republican Army, apparently satisfied that he had scotched their plans by arresting their leaders on March 26. But on April 7 some 20,000 I. R. A. members gathered together to honor one of their heroes killed in 1923, and on April 21 extremist Republicans boycotted the official ceremony commemorating the 1916 Easter Week rebellion and held an anti-government counter-parade. Irish Republicanism had not been subdued, and there were indications that it was becoming increasingly restless.

Where, it was asked, was the Irish republic that was to be established? Mr. de Valera tried to explain this point in a speech before the Dail early in April. A republic was still his aim, he declared, but it could not be at the moment achieved, and if those to the Right and to the Left attempted to rush the government it would be in order to destroy the government rather than out of patriotism.

SECESSION IN AUSTRALIA

Secessionists in Western Australia, largest State of the Commonwealth, have concluded one phase of their fight for withdrawal from the Federal Union. Armed with authority derived from a State plebiscite held in 1933, a delegation arrived in London late in 1934 to ask that Western Australia be declared a separate Dominion, free and independent of the Australian Commonwealth established in 1901.

A similar proposal had been made to the Federal Parliament and had been refused. Thus the only constitutional method open was appeal to the Imperial Parliament. But since there was considerable doubt as to whether the latter, in view of the Statute of

Westminster, had the power to receive such a petition, a Joint Select Committee was appointed to consider the case. This committee concluded its public sittings on April 17.

NEW ZEALAND FARM RELIEF

Apart from the inauguration on April 12 of Lord Galway as Governor General to succeed Lord Bledisloe, the chief recent event in New Zealand has been the enactment of laws to relieve rural debtors. Parliament assembled on Feb. 13 to learn that wages and interest had been reduced to a rational level but that rural land values were still too high. J. G. Coates, Minister of Finance, accordingly prepared two measures to adjust the balance. These were the Mortgage Corporation Bill and the Rural Mortgagors' Final Adjustment Bill.

The former, approved by the House of Representatives early in March, sets up a corporation owned half by the government and half by private investors. Private investors may elect three directors, the State five, including the chairman and two joint managing directors. The corporation will take over private mortgages where the parties desire, and give in return interest-bearing bonds.

The second measure, passed on March 28, provides for the adjustment of farmers' debts if direct negotiations between creditor and debtor fail. Adjustment Commissions may order creditors to suspend the exercise of their rights in the event that a farmer has any prospect of ultimately satisfying his liabilities. Where a stay is ordered, property will be farmed for five years under supervision, with the income allotted to the farmer's maintenance, operating expenses and the satisfaction of creditors. At the end of that time a farmer leaving the land may be granted compensation for his services, this compensation to be payable by the mortgagee or purchaser of the farm.

Hard Times in France

By FRANCIS BROWN

THE disease of economic depression is eating into the vitals of France, and so far no remedies have been found to halt its ravages. The nation outwardly seems strong, fully capable of waging war or curbing the ambitions of an upstart Germany, but on closer examination there are signs of enfeeblement, which are growing more marked from day to day.

The gravity of this condition is illustrated by reports of banks and other business organizations for the first quarter of 1935. The Banque de Paris et des Pays Bas, for example, has passed its dividend for the first time, in large part because of the decline in security flotations. Capital is stagnant, issues for February totaling only 32,000,000 francs compared with a monthly average in 1930 of 1,823,000,000 francs, and banks have had to be content with short-term loans and interest rates so low that there is no profit. Loans, when made, have seldom been for plant expansion or new enterprises; instead money is sought to cover deficits.

There are other angles from which the paralysis of French business may

be viewed. Carloadings were 9.59 per cent lower in the first quarter of 1935 than in the corresponding period of 1934, while the railway deficit reached 377,500,000 francs—a figure 14.22 per cent greater than the deficit for last year. Foreign trade is also off badly, exports falling 10 per cent and imports 20 per cent. The total value was 9,468,000,000 francs, a drop of 1,698,000,000 francs.

Declining tax receipts add to this doleful story. Revenues in the first quarter fell 353,500,000 francs below the total for the same period of 1934 and 798,500,000 francs less than the budget estimates. This trend, which was accelerated in March, is most inopportune since the Treasury, it is estimated, will need 17,000,000,000 francs in the course of the year to meet a budget deficit of 4,000,000,000 francs, a railway deficit of 3,800,000,000, a postal deficit of 800,000,000 and various extraordinary expenditures. Apparently the limit of taxation has been reached, if not passed, and yet deflation can go little further without causing still greater distress. The one escape from these difficulties, and that only partial, seems to lie in conversion of the public debt.

Frenchmen, however, found a ray of hope during April in improved employment. Unemployment reached a peak in February with a registered total of 503,000; by the middle of April the number had fallen by about 37,000. This slight shift was due in part to seasonal causes and in part to the retention of the army class which had been scheduled for release on April 1.

Some consolation could also be derived from the defense of the gold bloc which followed Belgium's desertion at the end of March. Though there could be no doubt that the Dutch guilder and the Swiss franc were hard pressed, these currencies were not devalued and for the moment the French franc seemed safe. France, moreover, has signed an agreement with Belgium that aims at protecting French industry from a flood of Belgian goods. This accord is to run for six months pending the negotiation of a Franco-Belgian trade treaty.

In the midst of these economic troubles France continued to strengthen her defenses. When 120,000 young conscripts were called to the colors on April 23, the number of men under arms in the Third Republic was 420,000. Many of the new conscripts were stationed along the frontier—at Strasbourg, Metz, Thionville, Verdun, Mulhouse and Belfort.

FRENCH COLONIAL POLICY

The French Colonial Conference, after four months of study and negotiation, adjourned on April 13. Its meetings were not public nor have the voluminous reports prepared by subcommittees been published, yet enough information has leaked out to disclose the nature of the recommendations made by the conference. A vast schedule of the products of all parts of the empire has been prepared with a view to promoting trade and exchange between the colonies and the mother country. Already an accord for bartering wheat and rice has been reached with Indo-China.

The conference mapped out social and sanitary campaigns, programs for public works and schemes for extending credit. All these proposals and plans will, as the secretary of the conference said, constitute a "manual of colonial action" for years to come. To continue the work thus begun a permanent colonial bureau is to be set up in Paris.

While the conference was sitting, disorders in Algeria and Tunis re-

peatedly reminded the delegates that their work had real meaning. So threatening did the Algerian situation become that in March Marcel Régnier, Minister of the Interior, visited the region. He found conditions serious enough to warrant the taking of immediate steps by the government. President Lebrun on April 5 signed a decree imposing heavy penalties on any one who provokes "by any means disorders or demonstrations against French authority." At about the same time the government extended a loan of 550,000,000 francs to Algeria for the relief of distressed farmers and wine growers.

Nothing, however, has been done to meet the political and racial problems of Algeria. Moslems, because they practice polygamy, are unable to acquire French citizenship and thus do not participate in the government. French colonists, who number about 900,000 in a population of 6,000,000, dominate the Algerian department, much to the annoyance of native leaders. When to this political discrimination are added racial and religious differences, a pile of tinder is prepared which the spark of economic distress may set off at any time.

BELGIUM PLANS FOR RECOVERY

Belgium, after the critical March days, spent April putting her house in order. The Van Zeeland Cabinet forgot politics to further economic rehabilitation; temporarily at least the discords that have been so pronounced in Belgium died away and a new sense of national unity emerged.

Paul van Zeeland, the new Premier, outlined his program on April 24, in a special dispatch to *The New York Times*. The government, he said, is dedicated to the "resumption of business. This resumption depends basically upon the building up of a margin of profit in commercial and financial enterprises. At the moment, a glance at the balance sheets of our companies and corporations will show that at least half of these concerns are working at a loss. * * * Our work, therefore, will be concerned both with sales prices and production costs. In costs of production we shall follow a policy of reducing the price of money and also one of cutting down taxation. We shall take care, notably, to reduce taxes that weigh far too heavily on industry and agriculture."

The Belgian Parliament on April 18 adjourned until May 28, leaving for later consideration some of the departmental budgets. Thus for a few weeks the Van Zeeland Government has its hands free for the working out of what has been called its "N. R."—National Renovation—program. "The Under-Forty Cabinet," such is the Belgian nickname for this government of young men, has definite ideas about economic planning. How far these will be carried into action no one can foresee, but observers have not overlooked the presence in the Cabinet of Henri de Man whose *Plan de Travail* has been adopted by the Socialist party.

The *Plan de Travail* includes the following points: Nationalization of credit with a view to coordinating the policies and operations of individual banks; nationalization of key industries, of transportation and communication, government control of private industries; large-scale public works program; shorter working hours, minimum wages, and so forth. In discussing his plan, M. de Man has said: "The principle which can give unity and dynamism to such an economic mixture is planned economy—that is to say, the use of political power with a view to creating the economic conditions in which consuming power

may be adjusted to production capacity." Such remarks seem to indicate that Belgium under Van Zeeland may be a far different sort of nation from Belgium under Theunis and his big business associates.

Devaluation of the belga gave at least temporary stimulus to business. Capital which had left the country during March returned in large amounts, though not in sufficient quantity to balance the total lost. Stocks rose on the Bourse, and prices, particularly of foodstuffs, increased. Unemployment fell in certain areas when the export trades revived as a result of the opportunity to sell goods abroad advantageously.

The government meanwhile was faced with two difficult problems: How to prevent domestic prices from rising rapidly and how to keep industry from dumping in foreign markets. The threat to lower tariff rates on many articles would, it was hoped, restrain manufacturers and merchants from raising prices unduly. As a further device for stabilizing prices the government distributed emblems in the form of stamps to all retailers and wholesalers who promised to avoid unnecessary price increases. Whether or not a licensing system would be required to restrain dumping had not become certain by the end of April; moral pressure was employed for the time being while the government assured foreign countries that Belgian goods would not be permitted to choke trade channels.

As proof to the world that Belgium has not been overwhelmed by economic disaster, a world's fair was opened in Brussels on April 27. Twice as many nations are participating as in the famous exhibition of 1910.

Germany's Business Outlook

By SIDNEY B. FAY

GERMANY, as during the past four years, remains desperately in need of gold. Though the gold reserve on April 25 showed a slight gain over previous months, it amounted to only 81,100,000 gold marks, and afforded only a 2.49 per cent coverage for the paper currency. The low point of 2.01 per cent was reached on Oct. 2, 1934. Many financial observers believe that lack of gold and of foreign exchange resulting from the decline in German exports will seriously hamper the Reich's rearmament plans, since the country will be unable to import the necessary raw materials.

Aided by the return of the Saar and the compensating effect of earlier barter transactions, Germany improved her foreign trade balance during March sufficiently to achieve an export balance of 12,400,000 marks, compared with an unfavorable balance of 162,000,000 marks during the first two months of the present year. German exports in March amounted to 365,000,000 marks, an increase of 21 per cent as compared with February. As in every March since 1925, part of the increase was seasonal, but this year it was larger than usual apparently because barter deals concluded months ago had just begun to affect the export figures.

Finished goods accounted for 24 per cent of this expansion in exports, raw

materials 11 per cent and foodstuffs 14 per cent. The chief European countries, Latin America and India were the principal participants in this trade. German imports in March amounted to 353,000,000 marks, a drop of 1.7 per cent as compared with February, despite increased raw material purchases. For the first time in months imports from the United States, particularly of cotton and metals, were greater.

German tax receipts continued to show a rising trend, the receipts for the first eleven months of the fiscal year being 23 per cent higher than in the corresponding months of the previous fiscal year. The government, however, failed to publish the budget estimates at the usual time, and this caused many observers to believe that there were difficulties in financing the deficits created by public works expenditures.

Unemployment, according to official figures, dropped 350,000 during March. The total number of unemployed at the end of March—including for the first time 53,000 unemployed in the Saar—amounted to 2,400,000, as compared with more than 6,000,000 when Hitler came into power in 1933.

The nation-wide Nazi Winter Help Campaign, providing for relief work under Hitler's slogan, "No one shall be hungry or cold," brought in 362,000,000 marks up to the end of March. This sum, gathered during five months ending March 31, was 4,000,000 marks larger than the amount collected during a six-months' campaign in the preceding year.

Nation-wide elections took place in mid-April in all industrial and business enterprises with twenty or more employes. These elections, in accordance with Chancellor Hitler's decree of May 1, 1934, for the reorganization of labor, were to choose the "confidential councils" which represent the employes in their relations to the "leaders" or managers or owners of each industry or business. The employes or "followers" voted to accept or reject names on a list of candidates from the workers drawn up through joint consultation between the "leader" and a Nazi "cell-leader" representing the German Labor Front (the Nazi organization which absorbed the former German trades unions).

For Germany as a whole about 85 per cent of the candidates on the agreed-upon lists were endorsed by the employes as their acceptable representatives on the "confidential councils." In a few cases the list failed to receive a majority of the workers' votes, thus invalidating the election and leading to the appointment of the "confidential council" by the Trustee of Labor, a government official whose duty is to assure fair play between the interests of employer and employes. The official comment on the vote, which varied according to district from 72 per cent in Berlin to 91 per cent in Franconia, was: "An overwhelming majority of German working people in factories and offices, on agricultural estates and in governmental industries have pledged themselves to the Fuehrer's economic and social policies."

LUDENDORFF AND PAGANISM

General Ludendorff's seventieth birthday on April 9 was decreed by Chancellor Hitler as a day on which all Germany should display flags as on a national holiday. Newspapers carried laudatory articles for the man who was von Hindenburg's companion in war and who, for some reason, became bitterly estranged from him in peace. One of the small group who joined Hitler in the abortive Beer Hall Putsch of 1923, Ludendorff has since

been living in his country home near Munich, editing a paper in the interests of his new pagan anti-Christian movement.

Another expression of anti-Christian sentiment took place a fortnight later when some 15,000 members of the pagan "German Faith Movement" held a rally in the Sportspalast in Berlin. The meeting opened with an attack on the Christian confessions and intolerance, and with a tribute to Rudolf Hess, Hitler's party deputy, for his order in 1933 that no one should be hindered in his career in the party or the government because of his religion. Then followed long speeches by Count Reventlow, one of the ardent propagandists of the German Faith Movement, and by Professor Jacob Wilhelm Hauer of the University of Tuebingen, its founder and leader. (For a fuller discussion of German paganism see the article "The German Anti-Christ" on page 240).

While such pagan meetings were tolerated by the Nazi Government, rallies and public religious discussions were forbidden to the Lutherans and Catholics. During April several pastors and priests were arrested or imprisoned on one charge or another. But no decisive change took place in the struggle between the Opposition pastors and the official church headed by Reichsbishop Mueller. No final attempt, such as Dr. Frick had hinted at a month earlier, was made to subordinate all the Protestants to Nazi State control.

Anti-Semitism during April increased rather than decreased. It was reported that Jews would not be allowed to serve in the new conscript army and that the Nazis were considering establishing separate schools for Jewish children. A new list of 110 Jews who had acquired citizenship since 1918 and who are now deprived of that citizenship was published. Goebbels's Berlin newspaper, *Der Angriff*, opened a campaign against Jewish owners of apartment houses, alleging that half the apartment houses in Berlin were still owned by Jews. Dr. Furtwaengler, who resigned as conductor of the Berlin Philharmonic Orchestra after his quarrel with the Nazis on account of his championing Hindemith, the Jewish composer, made his peace with the Nazis and resumed his direction of the orchestra.

NAZI ATTACKS ON THE PRESS

Max Amann, who as President of the Reich Press Chamber is virtually the newspaper dictator of Germany, and as director of the concern which publishes the official Nazi *Voelkische Beobachter* is interested in increasing its circulation, issued three orders on April 25 which, if rigorously carried out, seriously threaten the existence of rival bourgeois and professional papers. One order provided that newspapers shall no longer be published by anonymous stock companies but only by partnerships whose members can prove that their own and their wives' or husbands' "Aryan" descent goes back to 1800 and who in other respects are entitled to membership in the Reich Press Chamber. A second order, entitled "An Ordinance for Closing Newspaper Publishing Concerns to Eliminate Unhealthy, Competitive Conditions," provided that in any place where Herr Amann thinks there are more papers than the locality can profitably support he may shut down some competing with local Nazi organs. The third order for "The Removal of the Scandal Press" prohibited newspapers that "obtain their character and circulation by reporting events in a form not in accordance with their importance for

.e public or likely to give offense ' damage the dignity of the press."

AUSTRIAN AFFAIRS

The Austrian Government early in pril brought twenty-one officers of ıe Schutzbund or Republican De- ›nse Corps to trial for treason. The ırious counts against them included ıarges of treasonable activities over number of years as well as in con- ›ction with the so-called Socialist .evolution of February, 1934. All ıe accused were sentenced to various ›rms of imprisonment.

Nazi activities seemed to be on the ıcrease in Austria during the Spring. wastikas were unfurled on Hitler's irthday and numerous demonstra- ons took place both in Vienna and ı the Provinces. Austrian Nazis in 'ienna were reported to have a secret rganization which collects tribute ·om its members by compelling them › observe the first Saturday and Sunday of each month as a day of sacrifice. They must abstain from attending places of amusement, from using any means of transport and must fast. All savings thus effected must be handed over to the party fund.

NETHERLANDS ELECTIONS

Provincial Council elections in ten of the eleven Provinces of the Netherlands on April 18 resulted in the Government party's securing 57.5 per cent of 3,320,000 votes cast, compared with 61.9 per cent in 1933 and 67 per cent in 1931. The heaviest losses were suffered by the Liberals and the Clerical Protestants; the Labor party held its own. The striking feature of the election was the appearance of a new Dutch National Socialist party which secured slightly less than 8 per cent of the total ballots. The elections were important because the Provincial Councils elect the Upper House of the States General or Parliament.

Italy's Growing Military Costs

By WILLIAM E. LINGELBACH

STIMULATED by the rearming of Germany and by Abyssinia's re- ısal to be coerced, Italy during April ›ntinued preparations for possible ar. "Italy will not break the peace," ›clared Mussolini on one occasion, but ıe must be ready for all eventualities.

The mobilization of three classes in ıe previous months, with two addi- onal divisions authorized by Royal ›cree on April 13, and the assembling : the conscript class of 1914, which ›gan on April 7, raised the total ›rce under arms to well above 650,-)0 men. By April 19, there were 3,000 in East Africa, leaving over 600,000 at home for any possible European crisis.

Mussolini has urged repeatedly the need for developing a highly efficient air service. Speaking to 10,000 Fascists at the opening of the airport of Guidonia, he said that "the Fascist will to power" had already made many men and many things bow to it, and added significantly that "this will occur again in the days to come." The new military airport near Rome is regarded by military men as the most modern aeronautic centre of the world. The plant cost several hundred million lire and requires hundreds of

men to operate. Recent estimates issued by the War Department showed that Italy had 135 up-to-date air fields with 1,527 skilled pilots, 1,452 non-commissioned officers of the air division and more than 13,000 trained technicians, officers and men in the ground corps. Manifestly, Mussolini is determined that his great army of nearly 8,000,000 men, which the War Department estimated can be mobilized in case of need for a "defensive war," shall not be lacking in the most up-to-date offensive weapons.

A flood of applications poured into the Air Ministry during April for 1,300 pilots' posts and 4,750 jobs for technicians and mechanics. Hundreds of pilots and specialists among the reserves were to be recalled to the colors in May for training in modern methods. Mussolini wants to add a reserve of 10,000 pilots to the large regular flying division.

At the beginning of April the Abyssinian venture was estimated conservatively to have cost over $30,000,000. Here and there criticism was heard of the heavy expenditures required for sending the expeditionary army to East Africa and for mobilizing such a large body of men at home, but the national enthusiasm has swept aside or silenced all objections. To the impartial observer, however, it is evident that the extraordinary costs of mobilization added to the heavy burden of the regular military establishments, of public works and of many other charges against the national revenues, create a financial problem of the most serious character. How is it all to be financed?

Italians will no doubt go on buying government bonds as they did so heroically in 1934, when 61,838,000,000 lire of 5 per cent consolidated debt was converted to 3½ per cent redeemable debt. But the bonded indebtedness of a nation, like its taxation, reaches a saturation point, and nothing short of war or a serious threat to national security can justify expenditures involving further obligations. Financial authorities differ, but they are fairly agreed that Italy's total indebtedness, including all forms of obligations from consols to current annuities and miscellaneous debts at the end of the last fiscal year, was nearly 150,000,000,000 lire, an increase of approximately 55,000,000,000 lire over that of 1922. What it will be on June 30, 1935, as a result of the great military expenditures of this Spring, no one can estimate with any degree of accuracy.

Notwithstanding the severe strain on the financial structure, however, Mussolini has reiterated his determination to adhere to the gold standard. The bank discount rate which was raised four months ago to 4 per cent to safeguard the lira was reduced during April to 3½ per cent in order to expand credit and stimulate business.

Mobilization has helped to reduce unemployment somewhat by speeding up war industries and by forcing some of the jobless into the army. When the order of March 23 was issued calling for volunteers for the Abyssinian campaign, men on unemployment relief had to enlist or lose their government benefits. Mobilization activities, coupled with results of Mussolini's trial plan during the last six months of the forty-hour week in certain industries, reduced unemployment from 1,056,823 on April 1, 1934, to 853,159 on April 1, 1935.

Official statistics published on April 16 claimed that nearly 200,000 had been absorbed in different occupations. At the same time, the government announced that the forty-hour week was to be made permanent. The new agreement—it has still to be signed—has

an additional article providing that Saturday afternoons are to be set aside for military training. To offset the reduction in wages of the shorter week, workers with large families are to receive a small allowance from a National Family Allowance Fund made up by contributions from workers and by employers. The arrangement also eliminates overtime work as a regular practice and provides for the replacement of women by men in "all work of a physically or mentally exhausting character." Since there are more than 1,000,000 women workers in Italy, this problem promises to be a serious one.

The unsatisfactory birth rate has again come in for severe criticism, Mussolini's journal, *Il Popolo d'Italia,* denouncing birth control as "gymnastic love" which destroys the healthy radiance of woman. According to The Associated Press, a warning has been issued by the head of the National Balilla Society that unless the birth rate is maintained at 20 per 1,000 or above, in accordance with the spirit of the Fascist régime, funds for building Balilla headquarters, playgrounds and training camps will be reduced in the offending districts and towns. Mussolini's ten-year demographic campaign calls for a population of 60,000,000 for Italy by 1943, provided always that such things can be brought about by decrees.

The economic indices for the past months are not encouraging. Prices have continued to rise since the beginning of the year—staple foods from 4 to 5 per cent, and metals and chemicals even more. Wages and salaries have fallen, at the same time that the purchasing power of the lira has declined, with the result that the standard of living is being forced downward. Foreign trade suffered from the March decrees against imports, though some relief came as a result of the new trade agreements by which Italy is guaranteed equal value for goods exchanged—a program of raising exports by import quotas. The system is working out most satisfactorily with Russia.

POLITICAL CRISIS IN SPAIN

The stop-gap government formed by Alejandro Lerroux on April 3 lasted exactly a month before the Premier once again placed his Cabinet's resignation in the hands of President Zamora. When Lerroux formed his Ministry in April Catholic Action was not consulted, largely because of President Zamora's distrust of that party and Gil Robles, its leader. This ignoring of Catholic Action aroused its members, and Gil Robles declared: "On May 3 we shall be back in the Cortes and then the Ministry will not last three minutes."

In order to gain time and avoid the confusion of an immediate change in government, Lerroux had President Zamora suspend the Cortes for a month; the decree was issued in the *Official Gazette* on April 5. It was the prospect of the reopening of the Cortes on May 6 that brought about the resignation of the Lerroux Cabinet on May 3.

During April the Lerroux government tried to liquidate the October revolt in a spirit of moderation. This was in direct contrast to what the Left press calls the "mad demands of the Right for sanguinary justice." Toward this end, the "state of war" in the Provinces of Madrid, Catalonia and Asturias was annulled on April 14. Civil law replaced martial law, though a "state of alarm" was ordered maintained. As further evidence of a conciliatory policy, Catalonia was given a large part of the autonomy granted in the Statute but taken from her as a

result of the revolt. The Catalans are again to be entrusted with the administration of justice and education, but not with the police service which for the present, at least, is to be retained by the Madrid government. Amnesty was also announced for political refugees abroad.

The municipal elections scheduled for April 14 were postponed, but in advance Gil Robles ordered all Catholic aldermen of municipal councils to resign to secure freedom for political action. He also issued a manifesto intimating the early dissolution of the Cortes and directed all district leaders of C. E. A. D., the coalition of the parties of the Right, to be prepared immediately for the general elections.

President Zamora, fearful of the monarchial elements in Catholic Action, threw all the weight of his office to the side of middle class Republican control as exemplified by Señor Lerroux and the Radicals. The next few months will probably reveal the extent to which Catholic Popular Action, having accepted the Republic and adopted Christian socialism as its platform, has won the support of the Spanish people. That the official control of the election and the influence of the government in power will be on the side of the opposition is now clear. But the current in the direction of the Right has been very strong and it is doubtful if the opposition of Leftist groups, even if they can unite in opposition to what their leaders describe as the menace of the re-establishment of clerical control, will prevent an overwhelming victory for Catholic Popular Action.

The Lerroux Cabinet during its short life conducted a businesslike administration. A new bond issue of 600,000,000 pesetas (the peseta stands at about 13.69 cents) at 4 per cent, one-half of which was to retire an older 5 per cent issue just falling due and the other half to steady the treasury account, wiped out much of the budgetary deficit. The military and naval program which, like so many national military programs of today, is "entirely defensive," was again considered. Its most significant feature is the modernization of the defenses of the Balearic Islands with a new supporting fleet of submarines, torpedo boats and other craft. The budget estimated the cost at $64,-000,000.

Agrarian reform and government planning were also pushed. Late in April the Minister of Agriculture announced a program for the stabilization of wheat and wheat prices through a Spanish company capitalized at 45,000,000 pesetas. A premium of 4 per cent is offered those who agree not to offer wheat futures.

Holy Week processions and festivities, which were revived last year in Seville and many other cities of Spain, were celebrated this year with unusual pomp. Thousands of visitors—police estimates put the number at 100,000—crowded the streets and churches of Seville.

Spain celebrated on April 14 the fourth anniversary of the proclamation of the Republic by a spectacular military parade in the morning, a gala bull fight in the afternoon and official ceremonies and speeches throughout the day. Thousands of people turned out to participate, and for the moment, at least, even the leaders seemed to forget that Spaniards were more divided today than they were in April, 1931. Yet the threat of class and regional strife is potentially present, the economic situation is very bad, promised agrarian reforms languish, budgetary difficulties have become chronic, and the Constitution is being attacked from all sides.

Trouble Brews in Danzig

By FREDERIC A. OGG

ONE of the most exciting electoral campaigns witnessed in Europe in a decade came to a close on April 7, when the inhabitants of the Free City of Danzig chose a new Volkstag, or lower house, to succeed the body dissolved on Feb. 21. Though officially it was insisted that the contest had no international significance, actually it took on the character of a dramatically staged test of National Socialist ascendancy.

As support for a vigorous and determined Nazi party in the electoral area, the National Socialists of Germany put all their prestige, resources and talent, including four Cabinet members, behind the campaign to win the two-thirds majority necessary to enable the Free City Constitution to be amended and the area to be transformed into a miniature Third Reich. The effort fell short, but by the narrow margin of five seats; the Nazis elected forty-three Deputies (a gain of five over the election of May, 1933), while the combined opposition elected a total of twenty-nine. With the Senate already in Nazi hands, National Socialist dominance was assured of continuance. The main objective, however, was not attained.

Poland, of course, was more vitally concerned than any country except Germany. If she had doubted that the future of the Free City and the Corridor was at stake, she was left in no uncertainty by Nazi orators, like Julius Streicher, who boldly proclaimed that "the hour of Danzig's deliverance" would come. Nazi campaign terrorism extended equally to Socialists and to Poles. Polish workers were dismissed by German employers for taking part in Polish meetings; Polish flags were torn down; Polish inhabitants were beaten and otherwise molested; Polish journalists were jailed and Polish newspapers confiscated. While Dr. Casimir Papée, Polish High Commissioner, lodged protests with the Senate and hinted at appeals to the League of Nations, Vice Minister of Finance Lechnicki journeyed from Warsaw to address the Polish inhabitants and to assure them that "as long as the Vistula flows into the Baltic nothing will change at the river's mouth."

On the whole Warsaw was well satisfied with the outcome. While only two seats were captured by candidates running as Poles, the Polish popular vote was 8,310, as compared with 6,743 in 1933. More important, the failure of the Nazis' supreme effort was construed to mean not only that the Free City would not soon be refashioned on the Hitlerian model, but also that the Nazis' majority would be insufficient to permit any adventurous policy such as attempting to break down the right of the League of Nations to act as a guarantor of the present Constitution.

Strong feeling persisted after the election, and ensuing weeks witnessed incidents scarcely calculated to allay it. On April 10, the Nazis returned to the attack by suppressing for five months the Socialist newspaper *Volkstimme* because it reprinted an article

from a Polish paper. Anti-German demonstrations became widespread in the Corridor in the middle of April, when in riots at Malickzack, Wejherow and various other centres in the neighborhood of Gdynia many persons were injured and considerable property was destroyed. A week later, ten German members of the German Union were arrested at Kepno, near the German border, and were charged with trying to swell the membership of their organization by spreading rumors of an impending plebiscite that would give the district back to Germany. By the end of April tension was reported all along the German frontier. Behind it lay a thousand years of enmity between Germans and Poles on the Baltic Coast, while immediate impetus, on the Polish side, was undoubtedly supplied by the belief that the time was ripe to vindicate alleged Polish rights.

POLAND'S NEW CONSTITUTION

With the promulgation in the *Official Gazette* on April 23 of the new Constitution voted in final form by the Sejm on March 23, the Polish Republic apparently entered upon the third stage of its history. The first stage, which began with the rise of the nation at the close of the World War and the adoption of the Constitution in 1921, was marked by stormy politics resulting from the efforts of an inexperienced people to carry on a parliamentary government. The second stage dated from Marshal Pilsudski's memorable *coup d'état* of May, 1926, when dictatorship boldly raised its head, and was characterized by an almost complete eclipse of Parliament and by freedom of the government to interpret and apply or ignore the Constitution pretty much to suit its own ends. The stage now beginning has been heralded by a sympathetic press as one in which the reign of law is to be restored, though a reading of the new instrument conveys rather the impression that what has actually happened is the legalization of the system in force during the past nine years.

At all events, President Moscicki's signature of the document was acclaimed as an act of major importance. The ceremony was witnessed by the marshals of the Sejm and Senate, the Premier and members of the Cabinet with the exception of Marshal Pilsudski and Foreign Minister Beck. A salute of 101 shots from a battery placed on the bank of the Vistula below the palace announced the event to the country. It was understood to be the government's intention to call Parliament in extraordinary session within a few weeks to enact a general electoral law, after which a new-style legislature would be chosen to replace the one, dating from 1930, which in effect signed its own death warrant by voting the Constitution.

CZECHOSLOVAK AFFAIRS

Czechoslovakia shows a growing distrust of Germany. In the face of warlike preparations by the Reich, the Czechoslovaks, although essentially pacific, are rapidly developing a military sense and a feeling of national pride in the army as their future defender. No longer are the officers and the soldiers unpopular; Ministers and politicians laud the army and the troops carry themselves with a new consciousness of their prestige and worth. Officers' pay is to be raised shortly. The air force is an object of particular pride.

It was announced from Washington on April 2 that a provisional commercial agreement had been concluded between the United States and Czechoslovakia. An exchange of notes be-

tween the two governments has bound Czechoslovakia to Secretary Hull's reciprocal trading program until a more formal trade agreement can be negotiated to take its place alongside those lately concluded with Cuba, Brazil, Haiti and Belgium. Unlike the more formal trade treaties, which contain lengthy schedules prescribing the rates of duty upon specific articles of import, the Czechoslovak agreement provides simply for: (1) Unconditional most-favored-nation treatment by each country for the products of the other; and (2) equitable treatment, as compared with that accorded to other countries, in regard to foreign exchange and import quota allotments.

The new accord is but one of several evidences of Czechoslovakia's present interest in trade expansion. A short time ago an Export Institute was organized; State guarantees for export credits have been extended; and commercial negotiations have been simultaneously advanced with Hungary, Austria and particularly Russia. With the Soviet Union a commercial treaty was signed on March 25 which, replacing a wholly inadequate one of June, 1922, deservedly took rank as one of the most important agreements of the kind.

HUNGARIAN POLITICS

Hungary on March 31 chose 183 members of Parliament in the rural constituencies by oral vote and a week later chose sixty-two members in the urban areas by secret ballot. As was generally expected, Premier Goemboes's National party won a smashing victory at the first trial of strength, securing 125 seats. To the surprise of political circles, however, the victory was almost as impressive in the districts where voting was secret. The final results, as announced on April 10, were, with the figures for the previous election in parentheses: National party, 172 (118); Dr. Tibor Eckhardt's party, 24 (22); Christian Nationals, 14 (26); Socialists, 11 (14); Liberals, 7 (7); Legitimists, 3 (7); Nazis, 2 (2). Other Deputies named were without party affiliations.

The government thus obtained more than 70 per cent of the seats, checked the Legitimist movement, weakened the Christian Nationals and Socialists, and made itself independent of Dr. Eckhardt's support. Count Stephen Bethlen, who for a decade and a half dominated Hungary's political life, and who, after previously supporting Premier Goemboes, turned sharply against him, was among the successful candidates, although perhaps only because of the somewhat condescending gallantry of his former ally who left him unopposed. He, however, entered the new Chamber with no group behind him. Rumors of a forthcoming reconstruction of the Cabinet were officially denied on April 10.

As is always true in States of Southeastern Europe, the party holding the offices and controlling the police proved well nigh invincible. It is but fair to note, however, that in the recent contest a large degree of freedom was allowed, every party and candidate being permitted to express opinions and present arguments on the stump and in the press. The election passed practically without incident, and there is little room for doubt that a majority of the nation sincerely desires to give Premier Goemboes a chance to put his reform program into effect.

RUMANIA'S ECONOMIC WOES

With important engagements to be met abroad in gold, a discouraging trade balance, an increase in the cost of living, a large budget deficit and

demands for inflation from many sides, Rumania is threatened with financial disaster. The new but inexperienced Minister of Commerce and Industry, M. Manolescu-Strunga, has been given by an agreement with the National Bank important powers in the distribution of foreign exchange coming to Rumania from exports. The United States, Japan, Norway and Latvia, all of whom sell to Rumania far more than they buy from her, have been told that no more commodities can be received from them under existing trade agreements. Great Britain, one of Rumania's best customers, was at first in a similar position, but after M. Manolescu-Strunga had visited London it was agreed that British imports from Rumania may exceed exports by 45 per cent.

Debate in the Chamber on the report of the parliamentary inquiry into the Skoda affair culminated on March 27 in a resolution recommending that two former Ministers be brought to trial in the Court of Cassation—General Cihosky on a charge of having signed a contract with the Skoda munition works of Czechoslovakia in 1930 for the supply of armament to the government on an illegal basis, and M. Popovici on a charge of having, through unwarranted interference, interrupted investigations which were begun by the fiscal and military authorities at the local office of the Skoda works in March, 1933.

BULGARIA'S CIVILIAN CABINET

A long-impending political crisis broke in Bulgaria on April 18, and a feverish day of arrests, resignations and incipient disorders culminated in the abrupt resignation of the Zlatev Cabinet. Ever since the royal putsch of last January which brought M. Zlatev and his colleagues into office, the situation had been both confused and tense. The army officers, though split into two camps, played a dominant rôle in politics, while King Boris manifestly aspired to a more effective control.

The move which produced the explosion was the arrest and internment on the morning of April 18 of two former Premiers, Alexander Tsankov and Kimon Gueorguiev, on charges of activities aimed at keeping their respective political parties alive. The decree dissolving all such parties was promulgated originally by M. Gueorguiev himself, and the ban was supposed to be still in effect. Rather than approve the Premier's drastic action, three of the Ministers resigned; and, after a lengthy conference with the Supreme Military Council, the chief and his entire Cabinet resigned.

Disregarding military factions, King Boris called to the Premiership Andrew Tochev, a civilian, diplomat and historian who had served as Minister to Belgrade, Vienna, Istanbul and other capitals, but had previously taken no part in domestic politics. His government, when announced on April 21, was not only distinctly civilian but contained only one man who had been a member of the Zlatev Cabinet and not one who had served under M. Gueorguiev. Composed throughout of the King's men, the new group plainly represented Boris's effort to take advantage of the division among the military leaders in order to improve his position in the country and gain personal control over both home politics and foreign relations.

Throughout the crisis, sabers rattled, heels clicked and telephones buzzed in the royal palace, as rival military officers wrangled and manoeuvred for the upper hand. When it appeared that the army was to be left

out of the reckoning, a coup was set on foot to compel a revision of the King's plans. Once more, however, royalty triumphed. Getting wind of the plot, the sovereign forestalled trouble by summoning a score of the leaders to the palace. When they told him that they would not tolerate a purely civilian Cabinet, he had them arrested and ordered all important public buildings in the capital to be placed under special guard.

The impression that Tochev's selection portended a return to more normal political policies and methods was confirmed on April 22, when King Boris ordered the framing of a new Constitution and preparations for a civilian régime. On the same day, the internment of the ex-Premiers, who, incidentally, are mortal enemies, was terminated. Public order was maintained throughout the crisis, and it was generally believed that the King had come off with enhanced prestige and power, even though his position must long remain delicate.

COST OF THE GREEK REVOLT

The Greek rebellion in March was considerably less destructive than at first supposed. Government forces lost only ten killed and 100 wounded; the rebels, 200 killed and 600 wounded. The rebel warships were regained by the government with only superficial damage, and the money, amounting to 90,000,000 drachmas, reported to have been taken by the rebels from Macedonian and Thracian banks, was found actually not to have been taken at all. The only sum commandeered in aid of the rebellion was 1,500,000 drachmas seized in Crete, and this amount ex-Premier Venizelos has assured the Athens authorities he is prepared to repay.

These facts, as well as urgent counsel from the British Government and from many patriotic Greeks, have caused the aftermath of the uprising to be less rigorous than was earlier expected. A few leaders, after being duly tried, have been put to death; a larger number, adjudged less guilty, or at all events less responsible for what happened, have been imprisoned. A large number have been acquitted on grounds of insufficient evidence, and in general the matter has been handled with restraint. Many persons, to be sure, are still under arrest, in hiding or in exile. Among them is M. Venizelos, who is reported from Paris as saying that it was Italy that "let him down," that he "might today be master of Greece" if the Italian authorities had permitted General Plastiras to join him.

The dramatic disappearance of the Venizelist Liberal party, which for twenty years had played a major rôle in the country's affairs, has left the political situation altered and uncertain. Already the lack of a real opposition has produced dissension in the ranks of the Popular party under Premier Tsaldaris, and the Cabinet has required reconstruction. Nevertheless, the Premier and the victorious War Minister, General Condylis, have the situation in hand.

The principal sources of uneasiness in government circles were the demands of General John Metaxas and John Rhallis, who are for strong measures, and whose speeches and movements are denied publicity, and the confidence displayed by Royalists that the victory which they expected in the May elections would pave the way for a restoration of King George II to the throne which he lost twelve years ago.

Northern Europe Looks to Its Arms

By Ralph Thompson

Those intermingled fears and suspicions which cause nations to build up their defense forces have invaded even the Scandinavian countries and the small republics along the Baltic Sea. With the peace threatened and the apparent source of danger—Germany—a near neighbor, Northern Europe paid more attention to armaments in the past month than in many years past. Two groups of Foreign Ministers met to concert measures of protection—those of Norway, Sweden and Denmark early in April, those of Estonia, Latvia and Lithuania early in May. At home, meanwhile, budgets were stretched to the utmost to provide added military and naval strength.

The principal point of tension was Memel, where German-Lithuanian antagonism had been sharpened by the court-martial verdict against Nazi agitators announced on March 26. Although Governor Novakas of the Memel Territory resigned on April 5, his successor, M. Kurkauskas, was unable to placate German opinion, and the German press continued its cries of vengeance. The consequence was that the Kaunas government increased its military strength. In the State budget for 1935 the Ministry of National Defense received 18,500,000 lits (about $3,000,000) more than in 1934. This increase is three times as large as all other budgetary increases put together, and makes Lithuanian defense cost nearly 30 per cent of total State income.

Lithuanian feeling was not improved by the dispatch during March of a sharp note to Kaunas by three of the four signatories of the Memel Convention — Great Britain, France and Italy. These powers apparently protested that Lithuania was depriving Germans of their just rights in Memel and particularly that the local Legislature was not being allowed to function as it should. Lithuania's reply, which has not been made public, is said to have restated the danger of German propaganda and to have welcomed the possibility of League intervention.

In Finland a new air defense program was approved, and all airplane motors will come from local factories instead of, as heretofore, from Germany. An announcement from Riga on April 9 indicated that the Latvian War Ministry had received increased appropriations, and simultaneously Premier Ulmanis delivered a radio address explaining the need for enlarged expenditure. Denmark, fearful for Danish Slesvig, found a spokesman in Hans Rasmussen, leader of the Folketing, who declared on April 7 that "we should no longer allow foreign propaganda to be directed against Danish sovereignty. Our frontier is fixed and we must defend it."

While the Swedish Riksdag debated the arms-control measure introduced in February, navy and army chiefs demanded that the government's defense appropriations for the fiscal year 1935-36 be expanded to provide additional aircraft and warships. This demand was rejected by the Cabinet.

The arms-control law, however, was finally passed in mid-April. Immediate licensing of all munitions plants was urged by the lower chamber of the Riksdag; the upper chamber insisted that plants now in operation be allowed to continue uncontrolled. The compromise reached was that existing plants may carry on without license until Jan. 1, 1938. All new plants must be licensed from the start.

KREUGER & TOLL REPORT

Although it is more than three years since Ivar Kreuger killed himself in Paris, the task of straightening out his business affairs has not been completed. The 1934 report of the liquidators in the bankruptcy of Kreuger & Toll, recently published in Sweden, shows the complexity of the undertaking. Claims against the Kreuger personal estate and affiliated companies total about $750,000,000, and if Kreuger & Toll assets are a fair sample of the total assets, many a creditor will have to whistle for his money.

At the end of 1934 the Kreuger & Toll liquidators still had on hand a vast array of stocks and bonds of many countries. Certain blocks were of disputed ownership; others represented dummy companies; others remained unsold because no one would bid for them. The liquidators listed also an imposing schedule of "claims considered as good"; presumably these claims will net something for the creditors. Less hopeful are those called "bad or disputed claims." In this last category are many interesting items, including one against "Mr. Ivar Kreuger" for some $80,000,000.

Russia and the Capitalist World

By EDGAR S. FURNISS

By signing a pact of mutual assistance with France on May 2 (see Allan Nevins's article on page 288), the Soviet Union gave its foreign policy a new twist. To conclude with a capitalist State a pact that is so much like an old-style military alliance represents a complete reversal of the original Bolshevist foreign policy as derived from the tenets of communism.

Hardly less interesting is the Soviet-German credit arrangement concluded on April 9. It indicates the determination of the Soviet rulers not to let embittered political relations interfere with economics. It illustrates, too, the advantages accruing in the present state of world commerce to those nations which administer their foreign trade as a government monopoly. For American observers it has additional significance in that the Soviet Union has by this action transferred to Germany large purchases which had been intended for the United States.

The agreement provides a five-year credit of 200,000,000 marks—some $80,000,000 at the present rate of exchange—for Soviet purchases of German goods. Interest is to be 2 per cent above the Reichsbank's rediscount rate. Each nation binds itself to import goods from the other in amounts at least equal to a minimum value fixed by the agreement. The

Soviet Union will place in Germany orders totaling 200,000,000 marks in excess of current imports from that country. Germany undertakes to buy at least 150,000,000 marks worth of Soviet goods during the present year.

These details of the agreement, made possible by the foreign trade monopolies of the two countries, assure the Soviet Union the means of payment in goods for her German purchases while guaranteeing Germany a favorable balance of trade with the Union. Soviet purchases will consist mainly of railroad equipment which would have been obtained in the United States had not the failure to reach a settlement of the debt question postponed indefinitely the extension of credits by American banks. While it is denied that this agreement has political implications, the underlying assumption of a five-year period of stable trade cannot fail to have some bearing on relations between the two countries.

Of chief importance, however, is the preferred position given to Germany in connection with the far-reaching program of Soviet railroad rehabilitation. At present transportation facilities form the weakest part of Russia's military establishment. A vast program of rebuilding, extension and modernization has been laid out by the Soviet Government to overcome this weakness, and the nation that takes the initiative in collaborating in the enterprise may well expect to develop a very profitable business.

The sale of the Chinese Eastern Railroad together with other developments in the Far East has appreciably reduced the tension of Soviet-Japanese relations. The sale of the railroad is not only of itself a step toward peace, since it removes the Soviet Union from a dangerous entanglement in Manchukuo, but the effect of the prolonged negotiation upon the two countries has been wholesome. In the course of two years of conference both parties were persuaded to make a series of concessions that did much to reconcile their opposing views regarding their respective interests in Asia.

When the contract of sale was signed on March 23, Japanese expectation of improvement in Soviet relations was shown by the suggestions in the Japanese press that Foreign Commissar Litvinov propose means of settling certain remaining differences between the two countries. Japan asks for immediate consideration of her proposal to demilitarize the zone bordering on Manchukuo, and also a more definite settlement of the controversy regarding fishing rights. Of these two matters, the former is by far the more important, constituting in Japanese opinion the only serious threat to peace.

Litvinov replied that "the fishing problem does not present great difficulties, since the existing convention functions satisfactorily without arousing dissatisfaction on either side." With regard to the more critical matter of demilitarization, Litvinov was unwilling even to entertain the suggestion that it be discussed at the present time, hinting that the way might be cleared if the Japanese Government would first approve the Soviet proposal of a bilateral non-aggression pact.

The formidable military preparations of the Soviet Union in the Far East can be regarded as a source of danger only on the supposition that Japan intends to be the aggressor, for these forces are obviously only for defensive purposes. Now that Soviet interests in Manchukuo are extinguished, nothing that Japan does within that territory is likely to be a

cause of war. The Union has made it clear, too, that the Eastern army will not be used to defend China from Japanese aggression. Outer Mongolia remains a possible area of conflict because of the uncertainty whether Russian interests there are so clearly established that Japanese expansion in that direction would constitute an infraction of Soviet territorial integrity.

In general, however, the only real menace to peace is the danger of invasion of strictly Soviet territory, particularly the Maritime Provinces. This is the logic of the Soviet position that a non-aggression agreement rather than demilitarization is the first essential of security. At the moment the two governments are deadlocked over the priority of these two pacific measures. The Soviet military establishment in the Far East, according to unofficial dispatches, has actually been reduced as a consequence of the diminished tension resulting from the sale of the Chinese Eastern Railroad. The Russians, nevertheless, officially refuse to retreat on the question of demilitarization.

PRIVATE TRADE IN RUSSIA

The Soviet Government has been disturbed by the rapid growth of private trade since the relaxation of the rationing system. Although almost the whole supply of factory products is owned by the State, it is estimated that many thousands of people have obtained quantities of wares for illicit sale in the open market. The government does not forbid such private sale of handicraft wares made in the homes of workers; indeed, it encourages peasants on collective farms to increase their incomes in this way. Yet it is a serious offense against the principles of the Socialist system for an individual either to buy for the purpose of sellng again at a profit, or to employ wage labor in the private manufacture or sale of goods.

Artisans engaged in private industry must be licensed and pay a tax of 25 rubles a month. A recent governmental survey of the markets in Moscow showed that hundreds of individual artisans were evading the tax and that large numbers of people were violating the rule against employment of wage labor. Profits ranging from 35,000 to over 100,000 rubles a year were discovered in the case of some of these illegal activities. Similar conditions are reported in other large urban centres. The government announced in April a program of stern repression against these violators of Socialist principles.

This latest evidence of the vitality of capitalistic practices under the Soviet dictatorship will lend support to the opinion of many people that the profit motive is difficult to eradicate even by the most stringent of regulations. Apart from these broader implications of the matter, the present difficulties of the Soviet economic plan are significant as indicating an improvement in the general economic welfare of the Russian people. The practices complained of have been made possible in large part by the increasing productivity of Soviet industries, especially in such things as textiles and other semi-processed commodities. It is because these wares have grown more plentiful with the progress of the industrialization plan that private industry can now find a supply of raw materials to exploit. At the same time, the higher incomes of the people have created a popular demand for better goods than can be obtained from the government stores, and this factor, too, has encouraged illegal manufacture and sale.

Egypt's Dictator Goes

By ROBERT L. BAKER

FOR nearly five years the greatest political power in Egypt has been exercised not by Parliament, nor by the Cabinet, nor by King Fuad, but by Zaki El Ibrashi Pasha, a Palace official who was responsible only to the King. Nominally Director of the Royal Estates, Ibrashi Pasha has been in a real sense the power behind the throne. His great influence with the King was based upon his having managed his master's affairs so well that Fuad, who was poor when he ascended the throne, is now a very rich man. Not content to confine himself strictly to business, Ibrashi abused his influence with the King to secure the appointment of his reactionary and sometimes unscrupulous friends to important posts in the government, in the diplomatic service and at the great Moslem university of Al Azhar.

After King Fuad became virtually an invalid about a year ago, Ibrashi's power grew to be almost supreme. Two Premiers, Sidky Pasha and Yehia Pasha, resigned because of Ibrashi's interference. The latter had constant access to the sick monarch, while the Premier was frequently put off because of "the state of the King's health." The responsible head of the Cabinet could seldom be sure that decrees from the Palace were really the will of the King, a serious matter, as Fuad's powers were little short of dictatorial under the 1930 Constitution.

Ibrashi's activities became generally known, and, apart from his own clique, he was cordially disliked by the entire country. Yet he might have survived indefinitely had not the British Government decided to abandon, perhaps only temporarily, its policy of neutrality with regard to Egyptian domestic affairs and to intervene quietly but firmly against him.

The beginning of Ibrashi's downfall came last November, when British influence prevailed upon Fuad to accept the independent liberal, Nessim Pasha, as Premier. Before agreeing to take the post, Nessim imposed certain conditions upon the King, one of which is supposed to have been the non-interference of Ibrashi with his proposed reforms. On April 18, however, Nessim found himself so obstructed by the Palace that he informed Fuad that he would resign unless Ibrashi were dismissed. Again the British Residency brought pressure to bear upon the King, and on April 22 Ibrashi resigned. As a sop he was appointed Minister to Brussels.

With Ibrashi's removal, the prospect for administrative and educational reform in Egypt is brighter than it has been for many years. Numerous changes are expected, among them the dismissal of the present Rector of Al Azhar, a henchman of Ibrashi, whose policies have caused a succession of strikes by the students in recent months. The work of the institution was so disrupted that on April 10 it was closed until Oct. 1. A number of diplomats and high officials who owe their appointments to Ibrashi will also be replaced. At the end of April, King Fuad informed Nessim Pasha that he desired to return to the Constitution of 1923, a step that would mean the election of a

Parliament dominated by the Wafd, or Nationalist, party. Fuad has, in short, bowed to the inevitable.

On May 2, only a fortnight after the Mixed Court of Appeal had once more postponed the final hearing on how the Egyptian public debt should be paid, the Egyptian Government took the bit between its teeth and formally abrogated the gold clause in its international debts. British and Italian holders of Egyptian bonds have for some time been sympathetic with the Egyptian contention that payment should be made in its own currency, which has the value of sterling. The French bondholders will fume, as is their wont, but after all, Egypt has done only what several other and greater nations have done.

The Egyptian economic mission to Great Britain in mid-April appears to have spent much of its time in the usual round of luncheons and dinners and in hearing and making the usual speeches about the importance of good economic relations to diplomatic friendship. Hafez Afifi Pasha, the chairman, and his experts did visit Manchester, the Ebbw Vale coal pits and the Cardiff docks, but the purpose of the mission was purely exploratory and little is expected to come from it.

More important, from the standpoint of increasing the amount of Egyptian imports from Great Britain, was the revival of the post of foreign commercial adviser to the Egyptian Government. On April 11 the Egyptian Cabinet approved the appointment of Sir Geoffrey Latham Corbett as adviser to the newly created Ministry of Commerce and Industry. Since 1932 Sir Geoffrey has been chairman of the British Food Council, having previously been for twenty-eight years in the Indian Civil Service. As adviser he will have an excellent opportunity to promote British trade interests.

IRAQI PARLIAMENT DISSOLVED

Growing friction between the Iraqi Parliament and a series of Cabinets appears at last to have persuaded King Ghazi that the trouble lay with the former, and on April 9 he issued a decree dissolving it and ordering a general election. According to the decree it had become impossible to carry out much-needed reforms in view of the lack of cooperation between the Chamber and the Cabinet.

Only a week earlier, the two tribal chiefs from the Middle Euphrates who had revolted in March descended upon Baghdad to demand administrative reforms. Although the avowed purpose of their visit was to proclaim their loyalty to King Ghazi, they brought an armed escort that required eighty-six automobiles to convey it about the city.

TURKISH AFFAIRS

In response to a request of the League of Nations the Turkish Government has agreed to grant Turkish nationality to some 2,000 White Russian refugees now resident in the country. Many of these voluntary exiles were thrown out of work by Turkey's drive against aliens in the professions and small trades and faced a dismal future. Now they will enjoy all the rights, and of course the responsibilities, of Turkish citizens.

During the week of April 22-27 the administration of all the principal cities and towns of Turkey was turned over to boys and girls from the primary and secondary schools, aged from 10 to 15 years. Their orders had only to be reasonable to be immediately carried out. Such experiments should do more than any number of courses in civics to interest Turkish

youth in the technique of government.

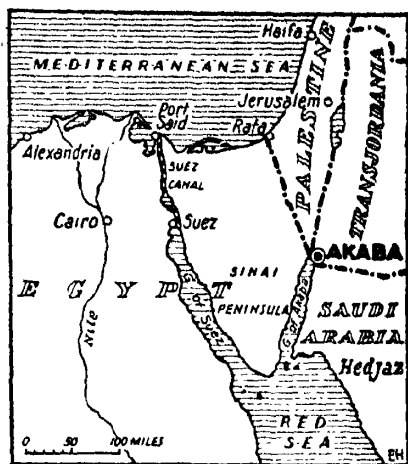
Some 300 delegates and visitors from thirty-five countries met in Istanbul during the week of April 18-24 for the Twelfth Congress of the International Alliance of Women for Suffrage and Equal Citizenship. Turkey was lauded for granting equal rights to its women and the seventeen Turkish women Deputies recently elected to the Grand National Assembly took an active part in the discussions.

The Turkish Government showed its determination to preserve the political monopoly of the Republican People's party late in April by ordering the dissolution of the Union of Turkish Women. It was held that since Turkish women now have equal political status with men they no longer need an organization that might, if continued, develop into a political party.

FATE OF THE ASSYRIANS

One after another, the proposed schemes for the settlement of Iraq's unwanted Assyrian minority have been abandoned by the League of Nations committee that is intrusted with finding it a permanent home. The latest disappointment is the unfavorable verdict of League experts as to the suitability of a district in the hinterland of British Guiana. Señor de Madariaga, in making this announcement on April 17, added that there was hope in another direction, since the French Government was willing to allow a considerable number of the refugees to settle in Syria, provided that no burden should be placed on the French or local budgets.

THE BRITISH AT AKABA

Early in April an agreement was reached between the Emir Abdallah of Transjordania, General Sir Archibald

Akaba—Britain's New Red Sea Base.

Montgomery-Messimberg, Chief of the British Imperial General Staff, and the civil and military authorities of Palestine and Transjordania by which British forces are to be responsible for the defense of Akaba, a small village-port at the head of the Gulf of Akaba, an arm of the Red Sea lying east of the Sinai peninsula. During the World War Akaba served as the base from which Colonel Lawrence and Prince (later King) Feisal made their forays against the Damascus-Medina Railway and, toward the end of the war, against the Turkish eastern flank and against Syria. Strategically, it is one of the most important points in the Near East.

IRANIAN MISSION TO RUSSIA

An economic mission composed of fourteen Iranian Government officials left Teheran for Moscow on April 22 to make an extended study of farming and industry in the Soviet Union. As King Riza Shah is reported to be projecting a five-year plan to develop Iran's industries, the real purpose of the mission may be to get first-hand information about Soviet economic planning.

Anti-Japanese Feeling in China

By GROVER CLARK

A DISAPPOINTED and aggrieved man left Shanghai for Japan on April 22 in the person of Akira Ariyoshi, Japanese Minister to China. Liberal-minded himself, he had been trying to allay anti-Japanese feeling, and apparently believed that he really had accomplished something in this direction. The Japanese military authorities in the country, however, kept insisting that there had been no lessening of the antagonism except in the lower Yangtse region, where the Nanking government exercised something more than nominal authority.

In order to appraise conditions, Mr. Ariyoshi called a conference of the principal Japanese consular officers in China shortly before he left. They confirmed not his hopes but the opinions expressed by the military. The Hankow and Canton consuls, according to press reports, said that in the central Yangtse and South China regions especially, the feeling against Japan remained as strong as ever and continued to show itself in serious anti-Japanese boycott activities. Mr. Ariyoshi was "much embittered," as the correspondent of *The New York Times* put it, "over the Japanese Army's frequent thwarting of his efforts to establish cordial relations with Nanking by unheralded aggressive activities and intrigues."

This situation suggested that Mr. Ariyoshi would not return to his post, except, perhaps, temporarily as Japan's first Ambassador to China if that rank be established by Japan, as it has been by Italy. The "strong policy" advocates, who completely dominate the Japanese Government in Manchurian affairs, have been distinctly dissatisfied with the "mild" course that Mr. Ariyoshi has been following with Foreign Minister Hirota's backing. They got their way in the administrative reorganization in Manchuria, forced through the Cabinet last December, by which entire control of Japanese activities there was placed in the hands of the commander of the Japanese troops, who concurrently was given the position of Ambassador to Manchukuo. If they choose to assert themselves, the military authorities can again have their way in the handling of relations with China.

CHINESE MILITARY TRAINING

China has taken another step along the road toward becoming a powerful armed nation—the road into which the Chinese believe they have been forced by the acts of omission and commission of the Western Powers and Japan. On April 23, General Chiang Kai-shek ordered all male students above the elementary grades to undergo at least a year's military training. Furthermore, "military fundamentals" are to be taught even to the primary school students through training along Boy Scout lines. General Chiang expects that this move will make China a first-class military power in ten years, and provide her with 100,000 thoroughly trained reservists every year.

Until Japan moved into Manchuria in 1931 and the powers failed to see that treaty pledges were kept, even voluntary military training was looked

on with great disfavor by Chinese students. They belonged, they felt, to the highest class in society, that of the scholars; they would not disgrace themselves by training for the occupation of the lowest class, that of the soldiers. Since 1931, however, another feeling has been in evidence. A compulsory military training law passed three years ago has been accepted by a steadily increasing number of the schools, until nearly a fourth had put it in force this past year. Voluntary military training has become increasingly popular in the other schools. This most recent order will meet some opposition, of course, but far less than it would have three or four years ago. It will not be carried out in full, but much more nearly so than it would have been before recent events in the West as well as in Asia furnished what seems to the Chinese conclusive evidence that the world is still ruled by force rather than by reason.

General Chiang has pushed a program to make China powerful. Much has been accomplished toward building up an effective national air force, and army reorganization has been proceeding apace with the assistance of German advisers. Japanese military leaders have been pointing to these developments to support their argument that unless dominance is made effective soon, China will later become strong enough to resist.

CHINA AND SILVER

The American Government's action in raising the price of silver caused a new wave of uncertainty in China. The Chinese Government did not, however, tighten the already severe restrictions on silver exports. Finance Minister Kung tried to meet the threat of a further drain of silver by warning bankers and speculators on April 13 that, if necessary, stringent measures would be used to prevent shipments. On April 25, he issued an appeal to the people to "conserve the nation's money," urging them to patronize home industry and, as a means to this end, not to buy abroad.

Meanwhile, former Minister of Finance T. V. Soong had succeeded in persuading the foreign banks operating in China to enter into a voluntary agreement to assist the Chinese authorities by undertaking no transactions that would undermine the efforts to maintain the silver standard. More specifically, they agreed not to try to export silver, even if handsome profits could be made in this way.

The Chinese Government has taken another important step toward stabilizing the economic and financial situation. Just before the end of March it floated a domestic loan of 100,000,000 Chinese dollars, secured on the consolidated tax. It then turned over some $65,000,000 worth of the bonds to the three principal banks, to be used as capital funds primarily for aiding industry. The Central Bank of China, which is a government institution, received the larger part of this $65,000,000, but enough was put into the Bank of China and the Bank of Communications (formerly semi-private banks) to give the government majority stock control. Following this move, Mr. Soong was made head of the Bank of China and the directorships of all these banks were reorganized so as to unify them.

This move is being interpreted in various ways. Some call it a preliminary to the establishment of a managed currency. Others say it is a step toward better control of the issue of banknotes, or an attempt to keep the whole banking structure of the country from collapsing because of the American silver purchase policy.

It was the government that floated the new domestic loan. Apparently nothing will come for some time at least of the proposal put forward by the British for an international loan. On April 2 it was stated in London that Great Britain had suspended her efforts until detailed suggestions were forthcoming from the United States.

JAPAN AND THE LEAGUE

If the action of the Child Welfare Committee of the League of Nations, which began its eleventh session on April 25, is to serve as a precedent, Japan will be represented on the technical and other committees of the League only by special invitation. Before March 27, when her two years' notice of withdrawal from the League expired, Japan had been a full voting member of the Child Welfare Committee. On April 25, however, the Japanese representative sat only as an adviser. He will probably be voting again because the committee asked the League Council to invite Japan to give her representative voting status.

On March 27, Secretary General Avenol curtly announced that "the legal bond between Japan and the League ceases to exist. Japan no longer has any rights or obligations as regards the League." The Japanese representative at Geneva promptly took umbrage at the statement that Japan had no League "rights." He insisted that his country would continue to be represented on the principal League committees. The action of the Child Welfare Committee, however, indicates that the League authorities and the Japanese Government are assuming that any participation by Japan in League committee activities will come as a matter not of right but of League invitation.

The Chinese representative also had something to say. He wanted to know what the Secretary General meant by saying that Japan had no "obligations" to the League. He pointed out that Japan had flouted her obligations by her actions in Manchuria before she served notice of withdrawal and that her obligations remained unfulfilled.

M. Avenol's statement raised the exceedingly pertinent question as to what League agency has the authority to say whether a League member has fulfilled its obligations and so has complied with the conditions for withdrawal laid down in Article I. In saying that Japan had no obligations, presumably he meant simply that she had paid her annual assessments and had met similar requirements of membership. Japan, however, still stands formally condemned by the League Council and the Assembly as having violated her obligations to keep the Covenant—a much more serious matter than that of failing to pay annual membership dues. Neither the Council nor the Assembly has acted on the specific question of whether Japan is entitled to withdraw in these circumstances, unless silence be interpreted as consent. M. Avenol took on himself the sole responsibility of giving Japan an honorable discharge. This certainly would seem to be a questionable extension of the authority of the Secretary General.

JAPANESE EXPORT TRADE

The question of how to overcome the rising barriers to Japanese exports continues to agitate Japanese business and official circles. Japan's latest move is to suggest trilateral or multilateral trade agreements.

In the pre-depression era Japanese sold a good deal more to Americans than they bought from them. Raw silk was much the most important item in the sales, and raw cotton among

the purchases. Then the price of silk went down and Americans turned to less luxurious textile materials. The value of Japan's exports to the United States decreased substantially. On the other hand, Japan's purchases of American raw cotton increased steadily and fairly rapidly as her cotton textile production grew. So it came about that, since 1931, Japan has had an unfavorable instead of a favorable balance of trade with this country, increasing year by year until, in 1934, the imports from the United States were nearly twice as great as exports (imports, 715,000,000 yen; exports, 400,000,000 yen).

With Latin America, however, Japan's balance of trade has been heavily favorable, and her sales to Central and South America have been growing despite the fact that her purchases from these countries have remained small. But most of the Latin-American countries have been raising their barriers against Japanese goods. (Among the results of this development was the statement issued by the Japanese Foreign Office on April 13 definitely charging that American business men are "feverishly agitating for the exclusion of Japanese goods from those countries," and adding the broad hint that Japan might buy less American cotton if, as a result of this agitation, her exports to Latin-America were reduced.) Several of the Latin-American countries intimated earlier in the year that they would be more ready to take Japanese goods if Japan bought more from them. The difficulty is, however, that they have nothing much to sell that Japan wants, with the possible exception of Brazilian cotton.

To meet this situation, the Japanese have proposed that trilateral trade agreements be entered into between the United States, Japan and the Latin-American countries. This suggestion was made by the Japanese Ambassador to Secretary of State Cordell Hull in April and also by Japanese authorities in Tokyo to the group of American business men, led by W. Cameron Forbes, which now is in the Far East on a trade mission. The proposal has been left in general terms for the present.

Meanwhile, three unofficial missions from Japan have gone to Australia, and a fourth is being planned which probably will be headed by one of Japan's most distinguished diplomats. The obvious purpose is to stimulate good-will and Australian purchases of Japanese goods. Here again the question of trade balances arises, for Japan has been buying much more from Australia than she has been selling there, chiefly because Australia has wool which the Japanese want. Australian leaders, with a view to meeting Japanese wishes. are considering the possibility of readjusting tariffs and taking other steps to shift purchases from the United States to Japan, since Americans buy only a very small amount of Australian goods.

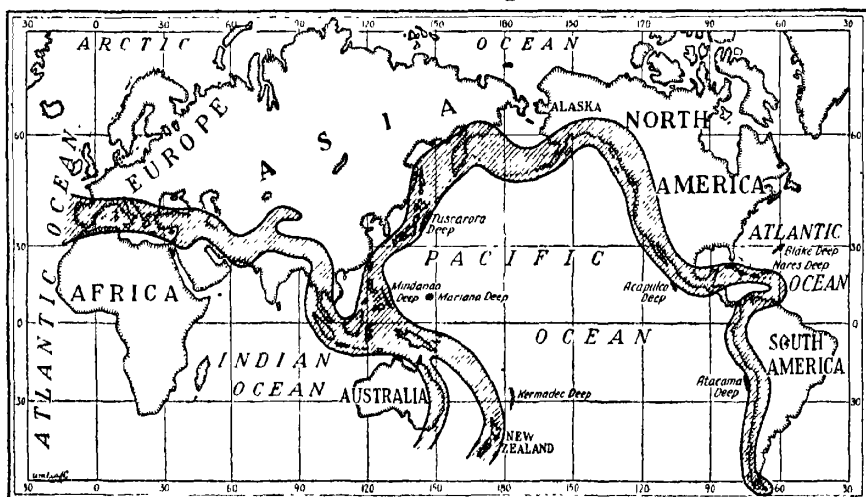
MANCHUKUOAN OIL MONOPOLY

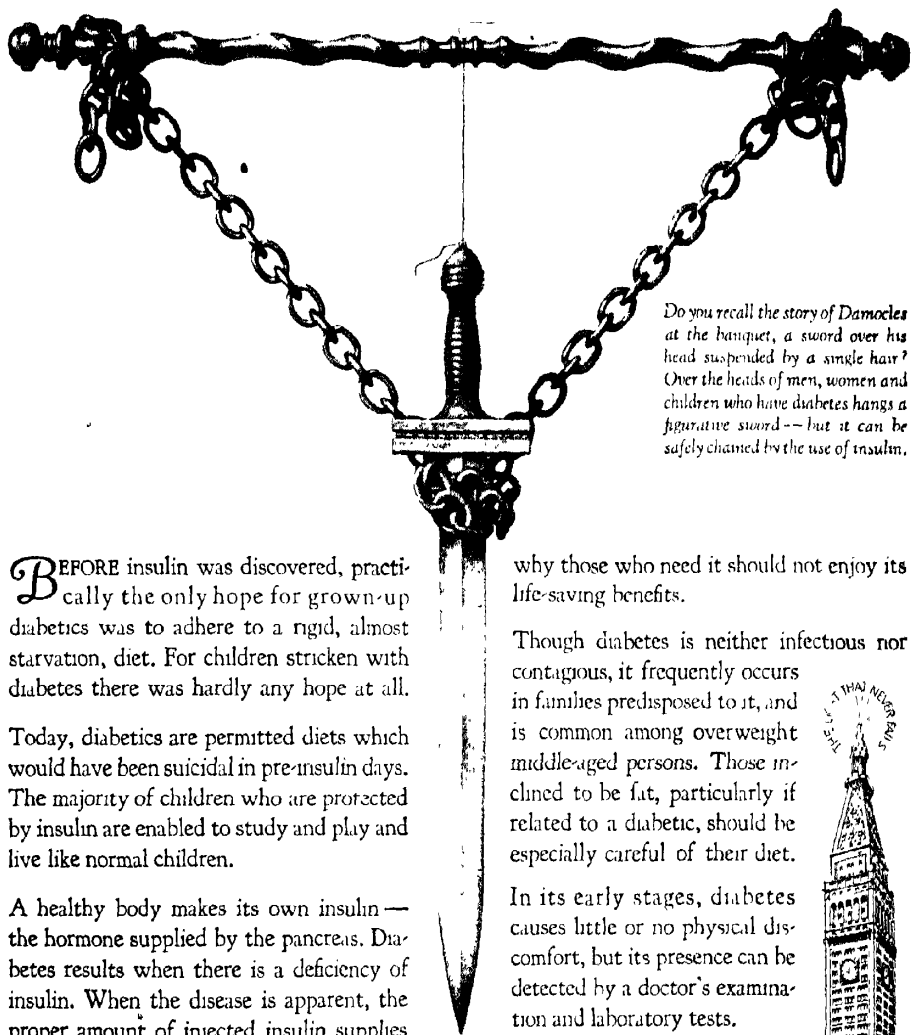
The much discussed oil-sales monopoly went into effect in Manchuria on April 10, but it was not until the next day that the Japanese Government replied to the protest against this violation of the Open Door principle made by the United States on Nov. 30, 1934. On March 26, however, Tokyo had replied to an earlier British protest. The statements to Washington and London were along much the same lines, and reasserted the position taken by Japan since the controversy started last Summer: (1) That Manchukuo is an independent State, in whose domestic affairs Japan cannot interfere, though Japan

would be glad to mediate if the complainants saw their way to recognizing Manchukuo and opening direct negotiations; (2) that the oil-sales monopoly is not a violation of the Open Door principle and, in any case, Manchukuo's early pledges to respect the Open Door cannot be invoked, since the powers have not recognized Manchukuo.

Both Great Britain on April 13, and the United States on April 16, in replying to these Japanese disclaimers of responsibility, again insisted that Japan, as the creator and real controller of Manchukuo, is responsible for treaty violations in Manchuria, and that the oil monopoly does violate the Open Door pledges. Both London and Washington, in addition to repeating their earlier charges, specifically stated that they reserved the right to present to Japan claims for losses their nationals might suffer. The British note, as read by Sir John Simon in the House of Commons on April 29, flatly accused Japan of violating the treaties; it declared that Japan, "far from using its undoubted authority to insure fulfillment of the assurances given by itself and by the Manchurian authorities regarding the maintenance of the principle of the Open Door in Manchuria and the fulfillment of treaty obligations, has attempted to justify an action that involves a clear breach of these assurances and obligations * * *. His Majesty's Government cannot but hold it [Japan] responsible for those losses that this will entail for British interests."

The American, British and Netherlands oil companies doing business in Manchuria are preparing to withdraw from the field, since they believe it will be impossible to do business satisfactorily under the Oil Monopoly Bureau even if they be allowed a share in the wholesale trade.

The World's Earthquake Belt

The shaded area shown in the map is the zone of greatest earthquake frequency because of faults in the earth's structure. Three regions in the zone were severely shaken during April and the first days of May. In the Japanese island of Formosa, 3,152 persons were killed and over 10,000 injured. A series of shocks in Northern Iran caused a loss of over 1,400 in killed and injured, and in Northeast Turkey casualties numbered 2,000.

Chain the Sword

Do you recall the story of Damocles at the banquet, a sword over his head suspended by a single hair? Over the heads of men, women and children who have diabetes hangs a figurative sword — but it can be safely chained by the use of insulin.

BEFORE insulin was discovered, practically the only hope for grown-up diabetics was to adhere to a rigid, almost starvation, diet. For children stricken with diabetes there was hardly any hope at all.

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A TRAVELER'S NOTEBOOK

OBSERVERS of Europe's tangled affairs on the whole seem to be agreed that there will be no war in the immediate future. On April 25, Lloyd's of London quoted odds of 20 to 1 against the outbreak of war within a year.

During King George's Jubilee celebrations this Spring, London's public buildings, hotels, theatres, office buildings, parks and palaces are being illuminated at night by special floodlighting. The principal electrical decoration takes the form of massive crowns set with myriads of colored lights.

Perhaps the nearest approach on this earth to the golden streets of heaven are those of Broome, Darwin and Thursday Island in Northern Australia. These towns are the home ports of fishing fleets that supply three-quarters of the world's demand for pearl shell, and their streets are paved with crushed nacre, which glistens like opal in the sun.

Hawaii is said to be the only community under the American flag that has no roadside advertising signs. This is due to the women who pledged themselves not to buy anything that was advertised in such a way as to mar the scenic beauty of the islands.

In substituting steel girders for ancient wooden beams in the Vatican the greatest care is being taken to prevent damage to the frescoes by Angelico, Raphael, Michaelangelo and other famous artists of the Renaissance.

Nearly 750,000 Hindus from all parts of India visited Calcutta on Feb. 3 to celebrate the Ardhodaya Yoga festival by bathing in the sacred Ganges. The river is believed by the devout to be a cleanser of sins. The British authorities, however, have so little faith in the purifying qualities of Ganges water that they took elaborate precautions to safeguard the city against epidemics.

On Oct. 30, 1935, the British Royal Military Corps of the Yeomen of the Guard will be 450 years old. Henry VII instituted the Yeomen at the time of his coronation. The corps originally numbered fifty, was raised to 600 by Henry VIII and reduced to its present number of 100 by Charles II. Nowadays they are to be seen at the Tower of London.

The Oxford University Press prints books in 568 languages. One of its employes has done nothing for ten years except set Greek type by hand, though he does not know a word of Greek. The Press offers $5 to any one who discovers a hitherto unnoticed mistake in an Oxford Bible.

Daily air service between Stockholm and Visby on the island of Gotland in the Baltic Sea is provided by the Swedish Aviation Company, the trip requiring only fifty minutes. Visby, meaning "sanctuary town," was the chief emporium of the medieval Hanseatic League and possesses a number of churches and other structures that date from the twelfth century.

In Moslem countries there is no grouching about the weather. If it be bad, then "Imshallah" (Allah's will be done). To complain of natural phenomena would be offensive to Allah.

The Valley of Roses, from which most of the world's attar of roses comes, is in Bulgaria. Because of overproduction the government is experimenting with the American acreage-reduction plan and is offering a small bonus for the plowing under of inferior plants.

A 'White House' that is to serve as the official residence of the head of the Chinese Government is nearing completion at Nanking. This executive mansion is small, containing only twelve rooms, but is to be entirely modern. It is beautifully situated near Purple Mountain, opposite the Sun Yat-sen Mausoleum.

The 600-year-old Town Hall at Breslau, Germany, which is built of wood, has been bolted together to keep it from falling apart. The bolts are sixty feet long.

An International Folk Dance Festival will be held in London from July 15 to July 20. One performance will take place on the grounds of Lambeth Palace, seat of the Archbishop of Canterbury.

The liners Berengaria, Homeric, Aquitania, Majestic and Britannic will all put out from Southampton on July 16 to take Jubilee visitors to see the great naval review by King George at Spithead.

Bouquets of fresh flowers can now be obtained from slot machines in Berlin.

Young Chinese boycotters of foreign-made goods have organized a "weeping corps." Its members fall on their knees in front of any one seen buying foreign goods and wail.

Continued from Page VII

result is a well-organized, comprehensive compendium of the facts of Indian economy.

J. BARTLET BREBNER.

The Pipe Dream of Peace

THE PIPE DREAM OF PEACE. The Story of the Collapse of Disarmament. By John W. Wheeler-Bennett. New York: William Morrow & Co., 1935. $3.

MR. WHEELER-BENNETT, who has closely followed the disarmament problem, declares that the end of hopeful efforts for a real solution came on Jan. 30, 1933, when Adolf Hitler overthrew the Weimar system in Germany. For that event France and Great Britain themselves were largely to blame, inasmuch as they persisted in keeping the puny German Republic in subjection. After describing the tedious negotiations of the conference, he reaches the gloomy conclusion that "all hope of disarmament, or even of security, is vain until the gangster element has been eliminated from international politics."

R. L. B.

Senator Hoar

GEORGE FRISBIE HOAR. By Frederick H. Gillett Boston: Houghton Mifflin Company, 1934. $3.50.

THIS is an old-fashioned biography of an old-fashioned statesman. Senator Hoar, the scholar in politics, mixed partisanship with independence to a degree rarely exceeded in his day And yet he hated all mugwumps, even though on specific proposals he agreed with those who placed principle above party. Hoar's place in American history rests upon his courageous fight against the acquisition of the Philippines. But he made it a constitutional issue, for he and most of his supporters knew little or nothing of the economics of imperialism. If they had, would they have offered any opposition to Philippine annexation? That question suggests the point of view from which a really useful biography of Senator Hoar might be written. In his autobiography he told much that Senator Gillett now reviews; the additional material in this new life reveals no more of the man than was known before.

FRANCIS BROWN.

Contemporary Drama

TWENTIETH CENTURY PLAYS. Edited by Frank W. Chandler and Richard A. Cordell. New York: Thomas Nelson & Sons, 1934. $4.

NEARLY all the plays in this collection representing the work of European and American dramatists, if not directly inspired by the war, reflect the changes it has produced in morals and manners. *Journey's End*, by Sheriff; *What Price Glory*, by Anderson and Stallings, and *The Miracle at Verdun*, by Chlumberg, are war plays pure and simple, and it is certain that Noel Coward would never have written anything in the spirit and tone of *Private Lives* if he had not been reaching manhood in the post-war generation. Even if such a transcript of life as Elmer Rice's *Street Scene* had been possible before the war, in that play the accent is distinctly of a later age of disillusionment. This collection of twenty complete texts is therefore of interest, not only

to students of the drama but also as a more vivid and arresting presentation, made possible by the playwright's art, of ideas and implications that concern moralists, social critics and historians. A. H.

The Documents of Peace

DOCUMENTARY TEXTBOOK ON INTERNATIONAL RELATIONS. A Text and Reference Study Emphasizing Official Documents and Materials Relating to World Peace and International Cooperation. By John Eugene Harley. Los Angeles Suttonhouse, 1934 $6

THE value and convenience of this compilation to students of international affairs can scarcely be exaggerated. Between the covers of one volume are given a sketch of the efforts toward international cooperation before 1919 and then the texts of practically all the significant treaties, pacts, conventions and official statements of policy during the post-war period, accompanied by narrative and analysis wherever Professor Harley deems such glosses necessary R. L. B.

Theodore Roosevelt and Japan

THEODORE ROOSEVELT AND THE JAPANESE-AMERICAN CRISIS By Thomas A Bailey Stanford University. Stanford University Press, 1934. $3

DRAWING largely on unpublished Roosevelt papers and Department of State documents, Mr Bailey gives a detailed, almost day-by-day account of how President Theodore Roosevelt handled the crises in American-Japanese relations which developed between 1905 and 1909 largely as a result of the anti-Japanese agitation in California. The book, as the author says, is a "chapter in American diplomacy." Within the limits set the ground is covered thoroughly. GROVER CLARK.

Scientific Discoveries

THE NEW WORLD OF SCIENCE. By A. Frederic Collins. Philadelphia J B. Lippincott, 1934. $2.50

THIS book explains in simple language the more interesting of recent discoveries and inventions. Television, robots, photo-electric eyes, planetariums, stratospheric exploration, atom smashing and cosmic rays are only a few of the subjects that are described and illustrated by diagrams and photographs The book is mainly a summary of the most important exhibits in the Hall of Science at the Century of Progress at Chicago, but numerous laboratories and observatories throughout the country have aided the author. R. L. B.

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